Opportunity Through Innovation

Speeding up loan approvals can improve customer satisfaction and the bottom line

By James M. Deitch

The loan-approval process is fraught with problems from the perspective of mortgage originators and borrowers. Why does it take 45 to 60 days to get a mortgage, when a car loan or credit card can be secured in under an hour? Why do borrowers have to keep supplying more information throughout the process? Why is communication often lacking among parties in the loan-approval process?

Many lenders use a loan-approval process that has not materially changed in 10 years. The process is linear and milestone-based, with each step of the process advanced only after the prior step is completed. It generates a Rubik's Cube-like puzzle of tasks that are performed solely within a predetermined sequence — as opposed to being a smoothly integrated process engineered for speed.

Imagine eliminating 15 days from the mortgage-approval cycle — from loan application to investor funding. Cutting 15 days off the process would increase the lender's gain on the sale of a $300,000 loan by approximately 15 basis points — purely from an interest-hedge cost savings. This occurs because an interest hedge is set for 60 days, but a faster settlement takes days off the hedge period, and that savings can be applied by the lender to another loan in the pipeline.

The labor savings from speeding up the lending process is another benefit. In addition, speeding up the process enhances customer satisfaction and creates competitive advantages.

Quicken Loans and its online Rocket Mortgage loan-approval process attempts to tackle these speed-of-review issues by offering what it describes as a "Push button/ Get Mortgage" platform that can be accessed via a mobile device. The Rocket Mortgage process is not milestone-based. Rather, it has re-engineered the loan-approval process for the internet-savvy, "click here" generation. Can every lender put a rocket in their customer's pocket, however? Should they?

Activities-based system

Lenders can re-engineer their existing loan-approval process and loan origination systems to improve the customer experience, speed and efficiency. JD Powers 2015 Origination survey noted a direct link between speed of closing and customer satisfaction. Quicken topped the list of lenders with the highest satisfaction. This is empirical evidence that speed of closing is an important customer requirement.

Speed and efficiency in the loan-approval process come from re-imagining it as an activities-based system, as opposed to a pipeline of tasks to be completed from application through closing. The major activities that are part of any loan-approval process include the following:

- **Customer and lead management;**
- **Loan qualification, compliance, affordability and rate locks;**
- **Third-party provider management;**
- **Closing and loan-sale management; and**
- **Customer care after closing.**

These major activities do not have to flow in a linear sequence that is pegged to a milestone calendar. A lender could have many activity tasks in motion simultaneously. This parallel-path structure, which rewards capturing validated data as early as possible, is a key to facilitating speed in the loan origination system.

Unfortunately, most loan origination systems are notconfigured that way. Stratmor's 2015 LOS Technology Insight Survey indicates that 75 percent of lenders are not satisfied with their loan origination systems.

Most vendors of loan origination systems deliver an out-of-the-box configuration to their clients. Such systems essentially dictate the mortgage originators' business process, not the other way around. A properly engineered mortgage-review process, however, ensures that the required tasks are performed

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in the most efficient and cost-effective manner, regardless of where the loan file is located in the milestone chain.

Master-scheduler efficiency

With an eye toward improving efficiency and speed, some loan originators use a master-scheduler tracking system that computes a schedule for a mortgage review — from the application through the slated closing date, incorporating the TRID consumer-disclosure requirements. This master-scheduler software incorporates the lender's customized task list and standard times to complete each task in the process, and it then continuously updates the loan-review schedule based on task progress.

Any tasks that get off track and may affect the closing date are identified as "cautions" and appear in the user's loan-pipeline status, with notices also pushed out to the loan officer, operations, managers and any other involved party. Tasks assigned to third-party vendors are managed in the same way, with the vendors also receiving push messages identifying the cautions. The purpose of these notices is to get the loan processing back on track whenever a delay affects the master schedule. The caution notices can be repeated or escalated as the lender specifies.

Push notifications sent via e-mail, text or mobile apps to borrowers, real estate agents and lending team members can create a meaningful increase in loan-processing speed. The business process should facilitate speed and data integrity. Tasks that are part of the loan-processing effort can be scheduled, executed and monitored to ensure an optimal processing speed without necessarily requiring that those tasks are carried out in a set sequence in the context of loan-approval milestones. In other words, the loan origination system is designed to walk and chew gum at the same time.

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Originators in today's fast-paced mortgage market need to compete on the speed dimension. A careful analysis of the business process, task-based granularity and rethinking the configuration of the loan origination system can lead to a significant increase in processing speed and ultimately profit. ■