Embrace Technology or Risk Being Replaced
Software ‘robots’ can automate the lending process, but business always begins with people

By Stephanie W. Casper

Throughout history, advances in technology, and the subsequent impact and change to daily life that they affect, have caused humans a fair amount of angst and anxiety. This has been particularly true in the information age, with technology disrupting many tried and true industries.

Today, mortgage originators are looking at software “robots” that can match borrowers with loans in seconds with the same distrust and fear that NASA’s human computers viewed the punch-card computer in the early days of the space program. Many advancements have resulted in better service delivery, because technology can make performing rote tasks easier, faster and cheaper. In higher-touch industries, however, humans can adapt by partnering with technology to elevate product or service delivery and streamline the process.

Business professionals sometimes read and re-read books that greatly impact their way of thinking. Often, elements of a classic can be timeless and relevant while other components can become quite dated. This is the case with "Never Wrestle with a Pig," a book filled with ideas to build your career, published in 2001 by Mark McCormack.

The key take-aways of this book are timeless, like: “It pays to overestimate your competition,” and “time in front of the customer is the best time of all.” The introduction, however, betrays the book’s age, when it ponders whether “the internet” will make a meaningful impact on the way people do business. Today we can chuckle at this question, because internet-based technology has disrupted multiple industries, including travel, securities brokerage and retail.

More relevant, however, is an anecdote told regarding the negotiation and closing of a deal entirely via e-mail. One of the author’s employees practically brags about not having made a phone call or attended an in-person meeting throughout the process. Even today,

Illustration by Dennis Wunsch

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lending professionals know that the human element continues to play an important role in the mortgage process, particularly when it comes to developing customers, generating leads and converting prospects.

Questions remain, however. Can technology truly replace human interaction through the entire lending-deal cycle, like this employee claimed? Can it replace the business-development and relationship-management functions?

**Rise of online lenders**
The proliferation of online lenders, both within standard residential lending, and in more nuanced commercial lending on residential fix-and-flip deals, has clearly demonstrated the ability to leverage technology to market, qualify, originate, underwrite and ultimately close loans.

Technology is now being used to automate many aspects of the process, and is especially useful when there is a formulaic, or matrix-based qualification system in screening customers. Application data can be captured, scraped and analyzed to make a decision on a loan in “as little as 8 minutes,” according to an ad for one such online lender.

Once a loan is pre-qualified, the collection of diligence materials can be facilitated using technology. Whereas e-mail eliminated the need to fax or mail tax returns, bank statements and pay stubs, sponsors now have access to web-based portals for document uploading and sharing.

In addition, although software tools have not yet eliminated the demand for the traveling notary, documents requiring a signature like disclosures, loan documents, mortgages and notes can be generated directly for ultimate execution. This virtually eliminates any manual data-entry work, and drastically reduces the occurrence of errors.

**Process vs. relationships**
Without exception, technology has improved, smoothed and increased the throughput across most facets of lending. It is important to recognize, however, that each of the processes benefiting from the use of technology are just that — processes. Technology has potentially disrupted those loan-processing functions that had historically been incredibly manual in loan origination, underwriting and closing.

The use of ever-evolving technology will continue to improve manual functions across the lending industry — and all industries. The question that persists in most of our minds is whether the human elements in lending can be replaced in a similar manner.

Can the relationship development and relationship management in which mortgage professionals engage ultimately be automated? Will artificial intelligence supplant the interpersonal interaction that cultivates repeat relationships and business over the long term?

**Where technology falters**
It can be argued that on the origination, debt-placement and fund-raising fronts, a flurry of activity in the form of web-based platforms is already disrupting the human execution of these activities, not only in the housing but across other investment-asset classes as well. Significant media attention made it seem like these sites and other crowdfunding platforms were poised to replace the traditional human element in business development and fund-raising activities.

Although a few sites have certainly flourished, others have all but disappeared. This perhaps is signaling that these more nuanced activities cannot be handled by an impersonal web-based platform, but rather need an element of human interaction and interpersonal skill.

The answer is likely that perhaps 80 percent of the activities within the lending industry can be automated or can leverage technology to streamline processes. The 80/20 axiom may be understated in the areas of commoditized, conforming and heavily regulated lending products. This is not to say that professionals focused on these areas of the space do not serve a very, very good purpose. Their value lies less in the delivery of the approval and more in their ability to connect borrowers with appropriate lenders, and to smooth the process via providing a hands-on, customer-oriented experience from application through loan closing.

**Human interaction wins**
The remaining 20 percent of lending activities do, in fact, require a human touch. It could be argued that the service level provided by the very best residential mortgage companies and originators falls into this 20 percent bucket. In more complex lending transactions, mortgage professionals do the heavy lifting for their clients and cannot be replaced by the automation provided by technology.

The best mortgage professionals are the ones who are not simply selling. Rather, they are constantly facilitating relationships, making introductions, staying relevant and at the front of their clients’ minds so that when a need arises, there is no other call the customer would even consider making.

In addition, when something goes awry in a transaction, the in-place relationship is what ultimately brings that deal back from the dead. This level of interaction, business development and customer cultivation can never be replaced by technology alone.

Certainly, technology that scrapes sites for potential prospect data and details is widely available to support the business-development efforts of sales people in all industries. Plus, various technology platforms enable sales professionals to qualify, organize and track prospects, log interactions and maintain customer details all in support of their business-development activities.

In the end, however, these tools simply aid the important human efforts of those professionals who succeed by supporting the process of customer-relationship management, which is so critical to long-term business development.

**How business truly develops**
For many business professionals who are constantly bombarded by digital technology in

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the information age, interpersonal encounters and relationships are the bright spots of their professional lives. They enjoy talking with others; meeting new peers, prospects and potential partners; and developing relationships with one another that extend beyond the business at hand. Most customers do too. These relationships are the engine for continuing to grow our businesses.

Will the art of human interaction in business development move away from conversations, dinners and golf toward something less personal, less human? To answer this question, let’s circle back to McCormack. The sales anecdote mentioned earlier finishes with details about how the fully digital e-mail transaction truly began. It turns out the two parties met at a dinner via mutual acquaintances, and their connection was further solidified while walking the golf course, following the lead foursome at a major tournament.

A trusting relationship was therefore forged without ever discussing a specific deal. Then, when a business opportunity was presented, technology was used to handle the process. The business, however, was developed via human interaction.