Go All-in With Digital Technology

Artificial intelligence, tempered by human interaction, can improve the mortgage process

By Gabe Minton

The mortgage industry has been moving in piecemeal fashion toward achieving the dream of the 100 percent digital mortgage experience.

Artificial intelligence (AI), cognitive engineering and predictive analytics all have the potential to improve the mortgage experience through better, faster and more accurate processes in marketing, origination, servicing, compliance and home-loan education. In addition, software automation can reduce time spent on mundane, repetitive tasks, allowing staff to concentrate on more intelligent work with bigger payoffs, such as solving complex underwriting issues or responding personally and with empathy to pending defaults.

Technology is table stakes, however. For long-term success, mortgage companies of all sizes need to up the ante and commit to improving every part of their processes and systems to deliver a total digital mortgage experience with the best possible consumer engagement. Companies can't just plug and play with new technology to advance the digital mortgage.

Too often, mortgage companies jump into new technology initiatives without involving their teams early in the planning, which can create internal and external problems. They haven't taken into consideration vital information about consumer behaviors and preferences for connecting with originators as a part of installing the technology. It may be up to originators to take the initiative to jumpstart these discussions.

Human touch needed

Fannie Mae's recent mortgage-lender sentiment survey and national housing survey showed that consumers use both person-to-person and online sources of information when shopping for a mortgage, especially if they are first-time homebuyers. The most trusted sources were mortgage lenders (32 percent), real estate agents (30 percent), family and friends (16 percent), and online sources (13 percent).

When asked about future preferences, 90 percent of those surveyed by Fannie Mae said they wanted person-to-person communication with mortgage lenders. Thus, the increasing push toward automation requires a critical element: the human touch. By investing in digital mortgage training for staff at every level — loan originators, underwriters,

compliance and risk specialists, marketing, servicing and customer service teams — companies will see return on investment and employee satisfaction grow together.

Gabe Minton is executive vice president and chief information officer at Guild Mortgage, where he leads the company's growing technology and information strategy. Minton joined Guild Mortgage in 2017 and has more than 25 years of experience in leadership roles with mortgage and technology companies. He specializes in strategy and execution, communication, software development and vendor relations. Reach him at gminton@guildmortgage.net.

Obstacles to this goal still exist, however. These include budgeting, acquiring talent, having systems in silos, unrealistic expectations at the top and lack of training at the bottom. In addition, companies must better understand the workplace implications involved in integrating the capabilities of humans and machines and obtain enough data to train the software algorithms used in their systems.

To tackle these obstacles, companies need to work from the bottom up on delivering the easiest, friendliest consumer experience — in person, over the phone, on websites, through mobile applications and follow-up systems. Start by exploring best practices with teams and consultants.

How easy is it for the borrower to search online and apply? Does the website offer help and opportunities to learn, or make someone available to assist borrowers at every step in the process? Whether created in-house or provided through a financial technology partner, companies must make sure their automatic approaches to asset and salary verification, title, appraisals, checking credit reports, underwriting and approvals roll out in a logical and smooth continuum.

Automating manual processes

Smaller companies don't have to emulate top-20 lenders to master the digital mortgage. Creating an offering with the help of third-party vendors can ease the process. Lenders also can take positive steps toward building their own automated systems through robotic process automation (RPA) and other forms of software development.

Find existing manual processes that can benefit from automation through software robotics, which are programs coded with instructions and rules that allow them to perform autonomous tasks. Software robots can perform tasks such as combining documents from multiple sources for easier analysis, compiling and validating the data ("stare and compare"), performing exception-based processing, providing check lists and alerts according to team-established rules and schedules, and automatically performing compliance validations.

Software robotics are low-cost and easy to add versus expensive mechanical robots found in manufacturing industries. Industry studies show that software robots can improve the quality of many processes, cut cost of production, improve security and reduce errors. For the mortgage industry with tight compliance rules, a software robot can be rapidly trained to generate new operating efficiencies and replace time-consuming tasks pursued by staff.

From RPA and other use of software robotics, companies can harness additional power from AI and cognitive automation to transform their businesses. Software drives programmed tasks according to rules, and it can learn on the fly. The mortgage industry also is driven by rules, rules that can drive both AI and software robotics — a perfect match.

The growth of AI in financial services promises to be rapid, so mortgage companies need to plan accordingly. MIT Sloan Management Review, an online forum for business innovators, recently surveyed more than 3,000 executives, managers and analysts across industries for a report on "Reshaping Business with Artificial Intelligence." Only 12 percent of those surveyed said AI is having a large effect on financial services today, but 65 percent believe it will have a large impact five years from now.

According to the MIT Sloan report, the cultural change required to implement AI will be daunting and organizational flexibility will be essential. Staff at every level of the operation must be educated and willing to accept change, with the understanding that the processes and technology are being designed to make their jobs easier. The best digital-mortgage origination operations will integrate people and processes with technology according to a plan.

Benefits of AI

Programs using AI and machine learning can automatically calculate financial ratios, update adjustable-rate mortgage indices, verify assets and income, and order reports from other organizations. AI can analyze the frequency of complaints about different parts of the lending process. Algorithms can route servicing calls to the right source.

Automation also can reduce risks from human error, find inconsistencies in minutes and take much of the drudgery out of underwriting. Staff members can then focus more on the analytical parts of their job, rather than scanning paper documents and looking for what might be missing.

Systems utilizing AI can analyze changing interest rates and compare them to a client database to provide insights into where borrowers might benefit from a new loan. Algorithms can identify accounts with potential risk-management issues. With this intelligence, mortgage companies can be more proactive with every borrower. Originators can easily offer clients the right loan option for their individual situations, which can help create loyal borrowers and great sources of future referrals.

In addition, AI can locate bottlenecks in the application process, best practices, operational efficiencies and even common customer pain points and make recommendations about problem areas. This data can then be used to determine if processes or procedures need to be fixed, allowing the company to move quickly to correct any issues and retrain staff.

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The benefits to lenders, mortgage companies and even individual loan originators of embracing the digital age are considerable: Smoother, faster processing; reduced costs per loan; more accurate data; reliable borrower information; having rules to kick out aberrations; reducing, and eventually,

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eliminating paper documents. These benefits have the power to transform the nature of work and improve job satisfaction; increase client trust and loyalty; help employees become lifelong learners; and improve efficiencies at every step in the mortgage origination, lending and servicing process.

It is important, however, to assume that some parts of the transformation won't go smoothly, so test every step of the way during development before launching. Behind this foundation of brilliant technologies, skilled professionals must be trained to provide a helpful human voice every step of the way. A company that delivers mortgages efficiently and with some personality at every link in the digital process will create a compelling and memorable customer experience, setting the stage for competitive advantages, future growth and improved profitability. ∎