DIY Lending Websites

Do-it-yourself digital mortgages can be job killers or an originator's best friend

By Carlos Sa

Robots have been showing up quite a bit in the news lately. Not the robots themselves, per se, but the steadily growing impact of robots on the global workforce.

Accounting and professional services company PwC found that 38 percent of jobs in the U.S. will be automated by the early 2030s and that 61 percent of workers in the financial-services sector could be replaced by machines. Of course, we've heard that mortgage professionals will be replaced by technology for some time. These rumors have persisted even while the strengthening economy and the current regulatory environment have in-creased the size of the industry workforce.

The latest culprits in this ongoing debate are do-it-yourself, or DIY, mortgage websites, which let borrowers submit basic key details about their financial profile and get preapproved for a mortgage loan in minutes. When borrowers do the work themselves, who needs a loan originator?

It is true that these tools can lighten the workload of originators, as well as processors and assistants. Eventually, taken to the extreme, such technology is likely to reduce a mortgage company's overall workforce. They probably do not spell doom for originators, however. In fact, DIY websites may be an originator's best friend.

Not for every borrower

Digital mortgages are a big deal because they make getting a mortgage much simpler. The truth, however, is that the mortgages aren't simpler at all. Only the process has been made easier — and only for borrowers for whom digital mortgages are a good fit.

A digital mortgage experience isn't for everyone. Even borrowers who enjoy doing things themselves often end up needing extra help down the line. That's because there are a number of common hurdles to getting a mortgage — both expected and unexpected — that a website alone cannot help borrowers overcome.

If a borrower with a not-so-great credit score is using a self-service mortgage website, for example, the web app may halt the preapproval process and refer that borrower to an originator. This can be a good thing for everyone. By asking additional questions, the originator could find out the borrower actually qualifies for a mortgage because of other factors.

Of course, many consumers simply do not want to get a mortgage without talking to someone. Americans have been able to file their taxes online for decades, yet a majority still choose not to. Homebuyers who have questions about a mortgage generally won't want to ask a website. They want someone to talk to.

There's no evidence that the majority of borrowers are suddenly going to switch to a DIY mortgage service overnight, which means there still will be plenty of work for originators to do. Of course, if you don't like doing all that paperwork, you may be glad a borrower portal is handling it.

Clean your plate

For years, loan originators have been responsible for collecting all of a borrower's financial information, including bank statements, paychecks, tax returns and more. Every year, the amount of information being collected seems to increase. But why is it the originator's job to collect this stuff anyway? Shouldn't an originator's job be to sell loans and help borrowers?

In this sense, the current wave of DIY mortgage websites is the best thing to happen to originators. These sites enable borrowers to upload all of their financial information themselves, or even allow their financial data to be retrieved automatically and securely.

With new online tools, there really is no reason for originators to be in the data-collection business. Instead, their time is freed up to talk to clients, offer strong counsel, help find the best possible loan product for each borrower's individual goals and answer any questions along the way.

The bottom line is that digital mortgage tools can supplement an originator's value. By taking work off their plates, these DIY

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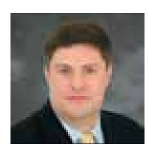

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sites actually can help originators compete for more business.

Offer customers more

Although some borrowers will not be interested in getting preapproved through a website, there is no doubt many will be — and their numbers will continue to grow. This is especially true as more millennials enter the housing market. This group has spent their entire adult lives buying, selling, communicating and even meeting each other online.

Most banks no longer even require customers to deposit checks in person, nor do most investment brokerages require customers to buy stocks, bonds and mutual funds that way. It's simply too much of an inconvenience to drive to those places to do business. Financial companies that don't allow customers to perform these actions online won't survive because someone else will offer this convenience.

Mortgage companies are no different now. As the mortgage transaction becomes more transparent, borrowers will feel more comfortable doing the work themselves. Eventually originators will want to be able to tell their borrowers that, yes, they can start the process online themselves. In fact, it will be considered an advantage to work with a company that offers a self-driven option to borrowers.

We are already seeing evidence of this. During recruitment, the best-performing originators pay close attention to a company's technology. They want tools that can make their jobs easier. Digital mortgage technologies do exactly that, because they can accelerate and increase an originator's ability to close loans.

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Today, DIY mortgage technologies are not limited to just the very large lenders. They are quite accessible to mid-sized mortgage companies with the time, energy and resources to improve the borrower experience. To co-opt a phrase, digital mortgages are not "rocket science." But for the companies and originators who embrace them, they are likely to help business blast off. ■