

The True Digital Mortgage

An All-in-One Solution
for a Changing Industry

EllieMae[®]



Overview

We hear a lot these days about the benefits of the “digital mortgage.” The term is widely overused, yet its promoters have largely under-delivered on its true promise. Often they are simply referring to the online applications that have been available for well over a decade. Others define digital mortgage as an eClosing, again merely citing one moment in the lending process.

Here’s the real question: If the solutions currently being promoted as a digital mortgage really streamline the process, why does it still take up to 60 days to close a loan?

A true digital mortgage must encompass the entire loan lifecycle, from targeted marketing automation to lead generation to application and all the way through to automated investor delivery. Only then will the promise of the digital mortgage pay off for both borrowers and lenders.

What does the term
digital mortgage
actually mean?



A Digital Mortgage for Homebuyers

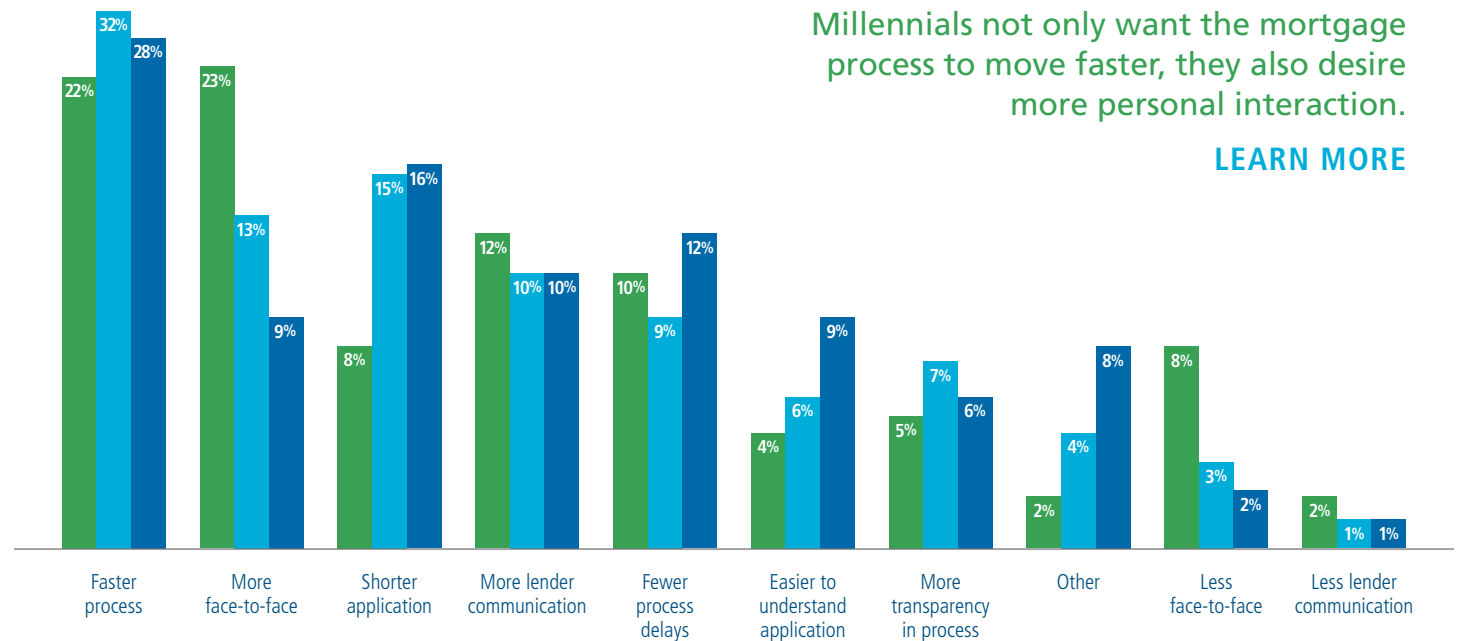
To better understand the preferences of U.S. homebuyers, Ellie Mae surveyed more than 3,000 millennials, gen Xers and baby boomers. The **Ellie Mae Borrower Insights Survey** found that across generations and genders, homebuyers want a mortgage experience that combines speed, convenience, and security with personal interaction.

When millennials were asked what could most improve the experience, nearly a quarter said they would like the mortgage process to move faster. Not just the application process, but the entire process. While that response was expected, more surprising was that nearly the same number of millennials also desire more personal interaction.

What could have improved your recent experience?

- Millennials
- Generation X
- Baby Boomers

Source: Ellie Mae Borrower Insights Survey



Millennials not only want the mortgage process to move faster, they also desire more personal interaction.

[LEARN MORE](#)

Today's borrowers expect transparency, service and speed, and a human touch. To meet these requirements, lenders must offer an engaging, intuitive user experience that continues even after the application has been submitted. Lenders should have access to current and historical data on every individual borrower, and provide an intuitive borrower portal that offers a simple, transparent interaction, the ability to easily upload documents, and real-time status updates, with the ability to talk to someone at any point in the entire process.

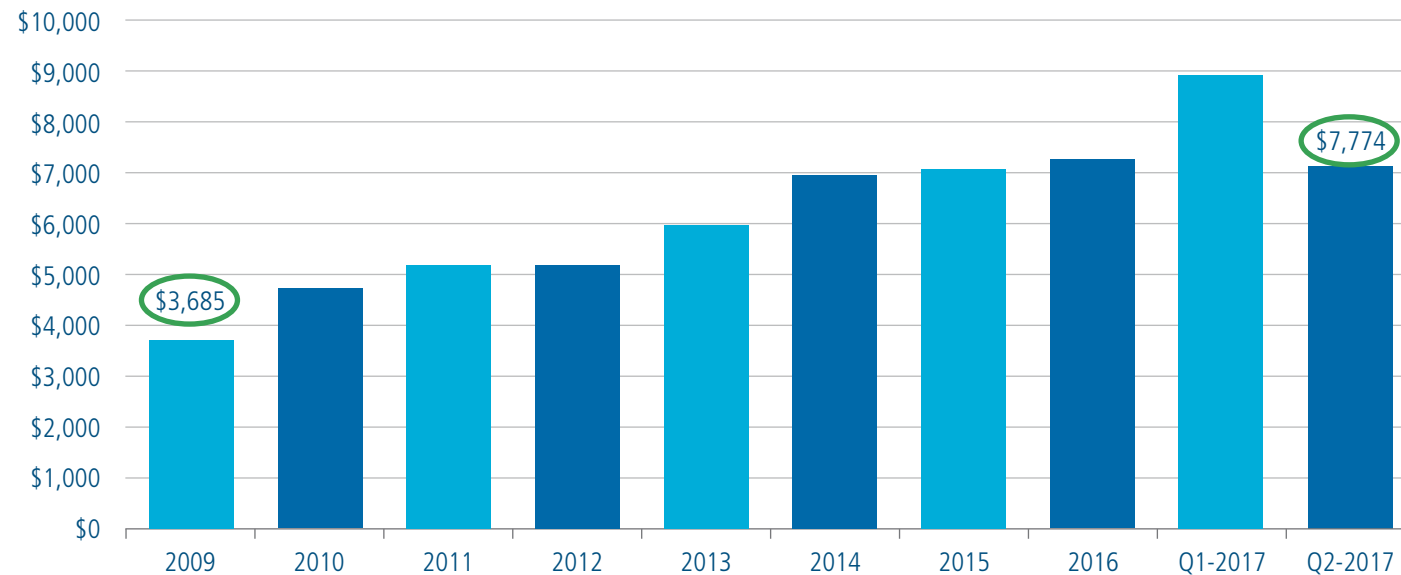
A true digital mortgage combines high-tech service with human touch engagement.



A Digital Mortgage for Lenders

As lenders learn what it takes to engage all borrowers, they must also adjust to a purchase-centric market with lower volumes, higher expectations of on-time origination dates being met, and tougher scrutiny of the bottom line. In this environment, the savvy lender is focused on reducing the cost of origination (now at nearly \$8,000 per loan, according to the MBA) and recognizes the need for automation, exception-based processing, and the ability to better leverage data in all aspects of the origination process.

Total Loan Production Expenses

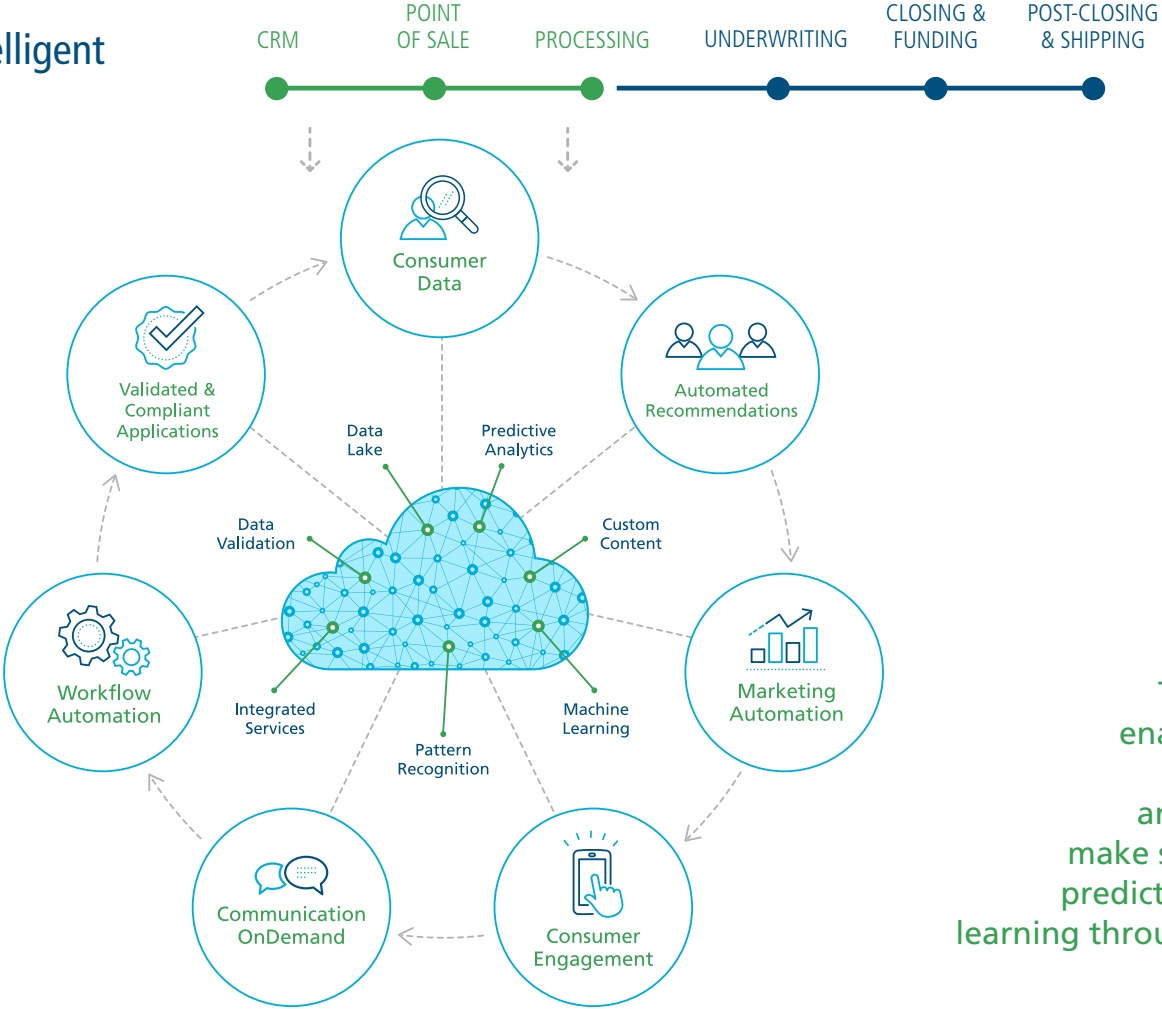


Origination costs
have more than
doubled since 2009.

Source: MBA Annual Mortgage Bankers
Performance Reports

This is where the true digital mortgage earns its name. Through the use of front-end intelligent automation, the true digital mortgage not only helps lenders engage with consumers to generate more leads, but also helps them manage loan processing on an exception basis in order to fund and close more loans faster, all while reducing overall origination costs. What's more, the true digital mortgage enables the lender to gather behavioral, transactional, and performance data, and make smarter decisions through predictive analytics and machine learning throughout the entire process.

Front-End Intelligent Automation



The true digital mortgage enables the lender to gather behavioral, transactional, and performance data, and make smarter decisions through predictive analytics and machine learning throughout the entire process.

Conventional wisdom says that to fund more loans, you need more applications. In reality, local and regional lenders today are having to compete at the point of sale with the multi-million-dollar national marketing campaigns of the few largest retail originators. Given the crowded competitive landscape, generalized marketing campaigns struggle to meet response and pull-through rates necessary to capture market share.

Rather than more applications, the smart lender goes after the right applications. By employing new tools that allow them to engage the consumer earlier in the process – at the “point of thought” – the lender can offer solutions and support the moment the homebuyer begins embracing the idea of a transaction. This strategy starts with the lender’s most competitive advantage, their own data.

Lenders have critically important information on the borrowers they’ve worked with, having gathered that data in order to help them purchase or refinance a home. By augmenting rich lender data with public records, current market information, servicing data, and psychographic/social media data in a single private data repository, the lender can apply predictive analytics to determine exactly which consumer may be ready to purchase their first home, downsize, upsize, or refinance. Even if the lender has not worked with a consumer in the past, there is enough data available to identify which cohort that consumer most resembles to create an offer and experience that will meet their needs and expectations.

A true digital mortgage helps lenders make smarter decisions through predictive analytics and machine learning.

Smart Origination

Once the lender engages the borrower, the online application becomes a pivotal point of differentiation in the borrower experience. If the borrower has a history with the lender, they simply validate their existing data rather than re-entering it. When the lender has employed predictive analytics and marketing automation to drive the consumer to their online engagement solution, the data used for the identification, scoring, and marketing of that consumer seamlessly populates the online application. Any additional information the consumer enters is automatically assessed, in real time, against the data and analytics already residing in the lender's system of record.

Of course, not every consumer wants to interact via technology. Many prefer to talk with someone, and even those who begin the process online will likely want some human touch at some point in the application process. Predictive analytics leveraging behavioral data can help identify these consumers so that the lender can offer their preferred experience.

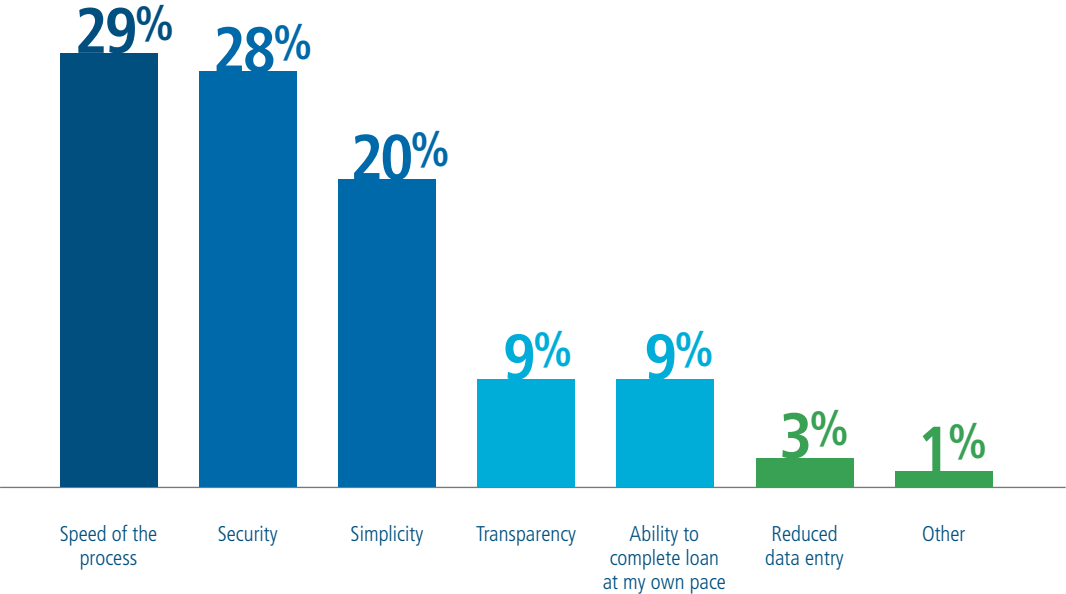
Smart origination becomes a pivotal point of differentiation in how lenders manage the interaction with borrowers.



Survey data shows that today's borrowers want a mortgage experience that combines speed, convenience, and security with personal interactions that are both reassuring and convenient. This means the digital mortgage has to be more than just an online application.

What factor was most important while applying for a loan online?

Source: Ellie Mae Borrower Insights Survey



Borrowers want a mortgage experience that combines speed, convenience, and security with personal interactions that are both reassuring and convenient. This means the digital mortgage has to be more than just an online application.

[LEARN MORE](#)

Here's an example. A lender has two borrowers with very different expectations and needs. One, who is a more anxious borrower, calls their lender every four days to make sure the process is going smoothly, even if no additional information is needed or requested. The other, the experienced borrower, is too busy to talk and simply wants to get a text from the lender once the appraised value is verified and a closing appointment is set.

If the lender has previously helped either of these borrowers in the past, then data available through call logs, audit trails, or notes in the system of record will trace past borrower behavior and indicate best practices for future interactions.

If the borrower is new to the lender, there is still likely enough consumer behavioral data in the system of record to identify a cohort profile that will allow the lender to predict likely preferences. But most lenders do not have the data scientists to build such a cohort profile. This is where machine learning comes in.

Machine learning consumes internal and external data, builds a borrower profile, and predicts the preferred experience for each borrower. The more data it consumes, the more the machine learns, and the more it learns, the smarter and more precise the results. This example only scratches the surface of what is possible. Imagine the different secondary market execution options the lender can now employ at the point of origination, creating unique, personalized risk or secondary market-based automated workflows.

Think of all the services that need to be ordered, received, and reviewed in order to originate a mortgage. Credit reports, appraisals, fraud reports, income verification, title reports, flood certification, and virtually every other service can all be ordered through automation. Artificial intelligence can be applied to compare data elements against approval criteria and automatically take the next required action without human intervention. This level of automated service ordering results in time and people savings.

Increasingly, by utilizing internal and external data, machine learning will be able to build a borrower profile that can predict the preferred consumer experience.

Staying Compliant

As the home mortgage industry moves to process automation and digital engagement with consumers, it will be critical that compliance doesn't take a back seat. In fact, compliance should be a primary driver of innovation. For example, marketing automation should ensure not only that the right message goes to the right consumer at the right time, but also that all communication complies with current regulations and standards.

As more lenders engage with borrowers online, the potential for Unfair, Deceptive or Abusive Acts or Practices (UDAAP) violations, with accompanying heavy fines, becomes a key risk. A smart marketing automation engine can address this risk by providing a hierarchical process for both approvals and consumer access to content.

Online applications that enable easy access for consumers can put lenders at risk of non-compliance if disconnected from the lender's system of record, where business rules reside to ensure compliance. For example, an incomplete application may meet the regulatory requirements for disclosure, and could create significant risk for a lender if there is not a systemic approach to identifying and taking action on consumer data such as name, property address, SSN, income, loan amount, or estimated value. By using a mortgage management solution that serves as system of record for the entire loan lifecycle, lenders can take a systematic approach to consumer application data and thereby minimize the risk of an audit.

While automation throughout the origination process is critical to driving efficiencies, it must also account for each point in the process where a re-disclosure or other borrower notification is required by law. That's why technology must be deeply rooted in an up-to-date understanding of the mortgage industry, including compliance. With the right technology partners, compliance will inform, not impede, the path to the true digital mortgage.

Within a true digital mortgage, automation will effectively access all data, becoming a primary driver of innovation and efficiency.

The Future of the Digital Mortgage

The true digital mortgage allows for a fundamental shift from “checkers checking checkers” and “stare and compare” reviews to exception-based processing. Now personal document review is required only when a loan does not meet established rules and an exception is identified, according to rules that a lender establishes in their system of record. Automation not only reduces time to originate and lowers the cost of origination, it also supplies loan agents with everything they need to know about where the loan is in the process so that they can provide the personalized human touch consumers expect. Faster processing and improved customer satisfaction lead to higher pull-through rates and better business results.

The technology and capabilities discussed here are available in our industry today, but they are vastly underutilized, as many lenders’ digital mortgage strategy has been limited to presenting a website with an online application. To realize the potential of the digital mortgage and the value it can deliver to lenders and borrowers alike, we need to expand our vision of the digital mortgage to encompass all phases of the mortgage loan lifecycle, with each milestone informing the next. The market will require lenders to adapt, as the pressure to meet closing dates, increased competition, and the emerging high-tech and human-touch expectations of borrowers continue to drive the use of the next generation of technology.

A true digital mortgage is an expanded vision of what automation and machine learning can do, and encompasses all phases of the mortgage lifecycle.





EllieMae®

4420 Rosewood Drive, Suite 500
Pleasanton, CA 94588

Main: 925.227.7000
Sales: 888.955.9100
sales@elliemae.com

[Find out more at EllieMae.com](http://EllieMae.com)

© 2018 Ellie Mae, Inc. Ellie Mae®, Encompass®, AllRegs®, the Ellie Mae logo and other trademarks or service marks of Ellie Mae, Inc. appearing herein are the property of Ellie Mae, Inc. or its subsidiaries. All rights reserved. Other company and product names may be trademarks or copyrights of their respective owners.

011918JP