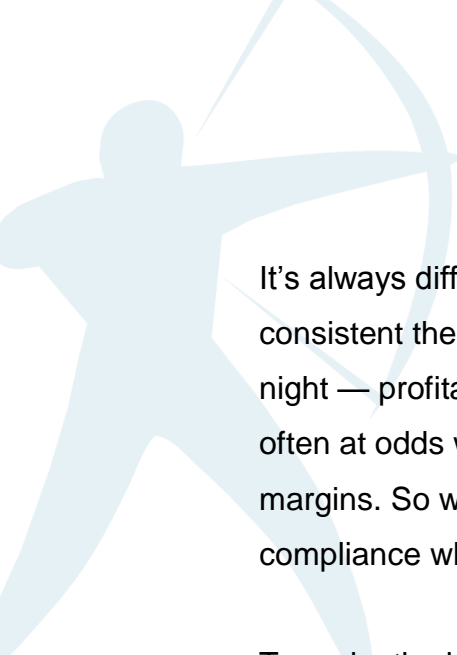# ACCURATE GROUP

Appraisal.
Title.
Technology.
Compliance.

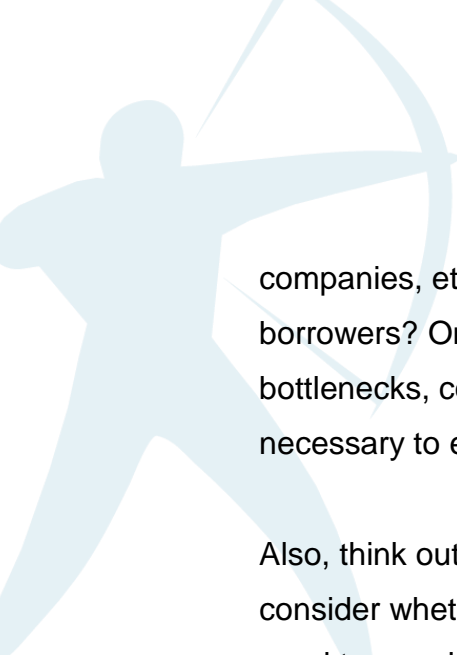## 3 KEYS TO PROFITABLE MORTGAGE LENDING

It's always difficult to predict what will happen next in the mortgage industry, but there is a consistent theme to what keeps mortgage lending and servicing executives awake at night — profitability and regulatory pressures. Unfortunately these two challenges are often at odds with each other, as compliance costs continue to grow and eat into profit margins. So what investments will deliver the best balance between profitability and compliance while still allowing you to grow your business?

To make the best decisions for both the short and long-term, it can be helpful to focus on three key areas of the business: processes, technology and people. Looking at each of these categories holistically will help you maintain a focus on the big picture of what actually matters in your business.

Let's examine each area in terms of its potential impact on the profitability of your mortgage business. For each area discussed, we will provide some examples related to appraisal management and mortgage closing to illustrate the positive impact changes can have on profitability and compliance, while at the same time improving the borrower experience. Data from the Mortgage Bankers Association shows that both total loan origination costs and personnel costs per loan are rising, so now is good time to look at areas for improving efficiency and productivity.

Processes

Processes are the backbone of your business, and the efficiency and effectiveness of your core business processes are critical to the profitability of your mortgage business. If you examine each stage of your mortgage operations, how efficient are you? Do you have visibility across processes? Are processes consistent across your business nationwide or does each branch operate in a silo? How seamless are communications and interactions with outside vendors (e.g. appraisal management companies, title
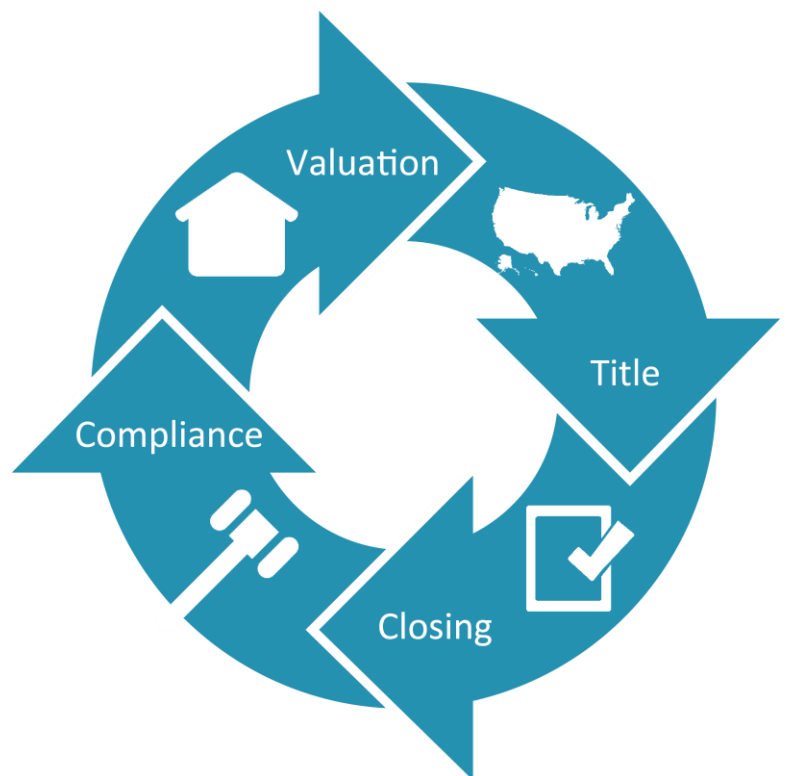
companies, etc.) and with borrowers? Once you identify the bottlenecks, consider the steps necessary to eliminate them.

Also, think outside the box and consider whether all processes need to remain in house. Processes such as appraisal management, appraiser panel management and appraisal compliance can be outsourced to free up internal resources to focus on revenue-generating activities like business development and new loan origination. Closing loans faster is also critical to profitability, so streamlining closing processes will save you time and money while also delivering a better borrower experience. Automating closing processes and moving to online settlement documentation are good ways to speed things up, save money and preserve accurate records to strengthen compliance. In addition, choosing outside appraisal, title and closing vendors that have nationwide operations rather than relying on multiple regional players can help you establish greater consistency and economies of scale while lowering the cost and time spent on vendor management.

In a nutshell, focusing internal resources on the processes and functions that are going to grow revenue, while at the same time streamlining and automating borrower-facing processes can go a long way to improving profitability. Outsource the supporting stuff to lower fixed costs and strive for operational efficiency.
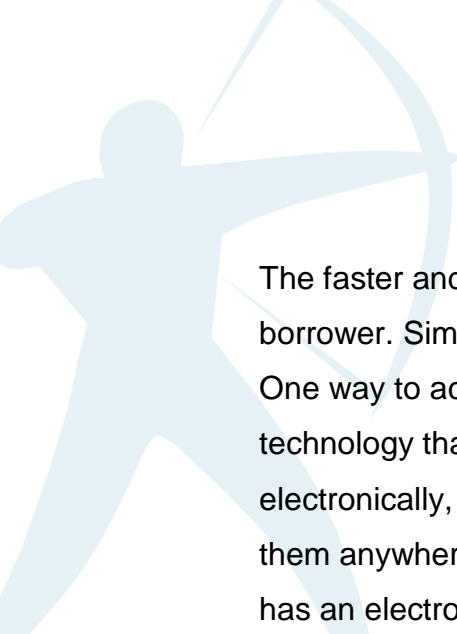
Technology

Investing in modern technology to streamline your business and eliminate silos is one of the best ways to improve operational efficiency and lower operating costs. While in the past upgrading software technology required large capital investments, that is no longer the case. Software-as-a-Service (SaaS) and cloud-based applications have become the new standard in technology and in most cases require no upfront investment. These applications have the potential to lower costs across the full lifecycle of a mortgage loan — origination, qualification, valuation, title and closing. Through automation and better visibility, the right technology can accelerate processes, reduce errors and enforce compliance checks while also improving productivity and lowering costs, thus having a direct impact on profitability.

If you are currently outsourcing or choose to outsource processes such as appraisal management, ensure that you carefully evaluate the strength of the technology platform each vendor provides along with their services. Look for an established vendor with proven technology that can provide fast and easy integration with your existing systems and processes. Also consider each vendor's focus on compliance. With recent changes to regulations and the complexity of appraisal management and closing compliance requirements, you need to be confident that your solution providers have both the expertise and the technology to ensure your business stays in compliance and is equipped to handle an audit on a moment's notice.
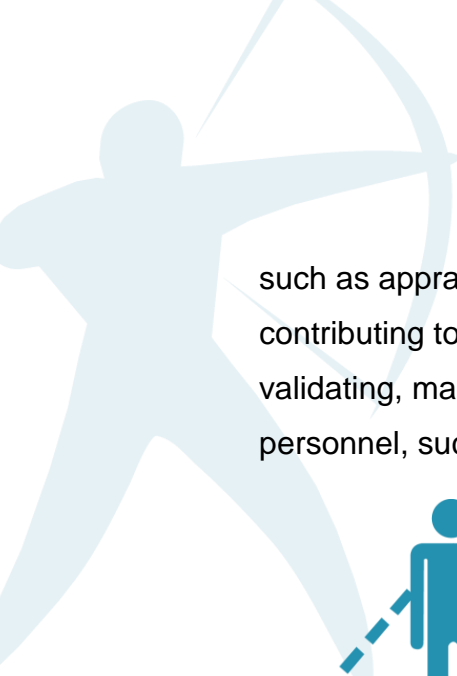
The faster and more accurate your appraisals are, the better the experience for the borrower. Similarly, borrowers want a low-hassle closing process with no errors or delays. One way to achieve this consistently is to implement web-based, electronic closing technology that includes secure e-signature capability. Closing documentation is delivered electronically, allowing more lead time for borrowers to review the documents and sign them anywhere that is convenient for them. Everyone involved in the closing process then has an electronic record of the settlement, reducing paper and risk of error or mishandling.

Investing in the right technology is becoming more critical to success in the mortgage industry as everyone involved in the mortgage loan process — including consumers — becomes more tech-savvy. As with outsourcing processes, consolidating your business with a select few trusted vendors with nationwide presence and deep expertise in the mortgage industry can ensure consistency in your technology applications and lower your compliance risk.
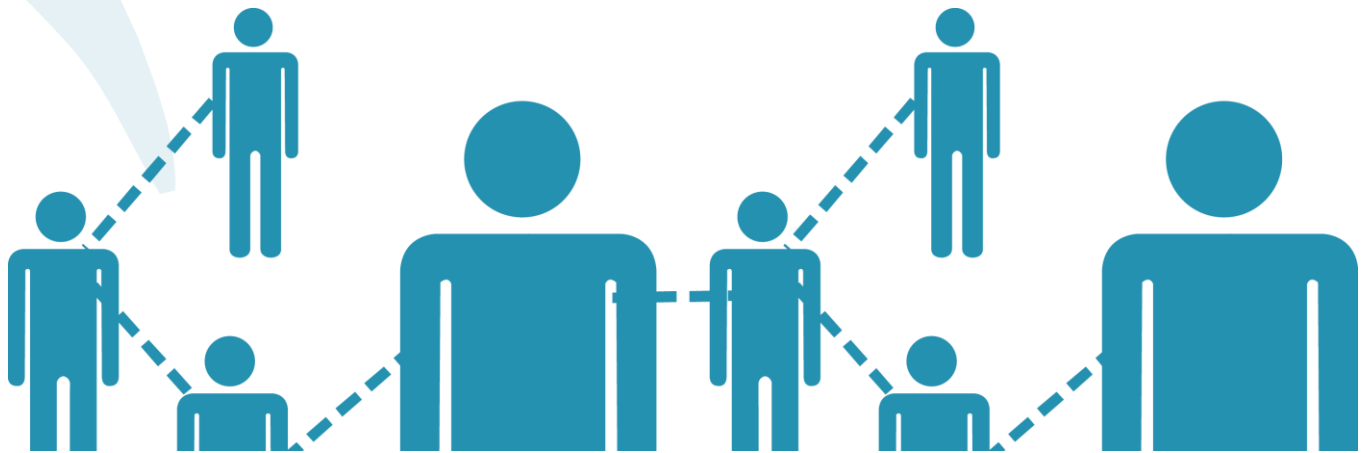
People

People are one of the most valuable assets that companies have so it is important to have them focused on the right things. While this may seem obvious, too often, employees get caught up in administrative work or slowed down by inefficient processes, disparate systems or lack of process visibility. It happens to all of us, and it is both frustrating for employees and detrimental to the profitability of your business. Mortgage lenders and servicers are faced with this challenge daily as a result of legacy technology, excessive amounts of paper documents and a multitude of regulatory requirements.

While you're expecting employees to provide excellent customer service, generate new mortgage and home equity loans and close those loans quickly, too often they are slowed down by factors outside their control. Or worse, they're focused on overhead functions,
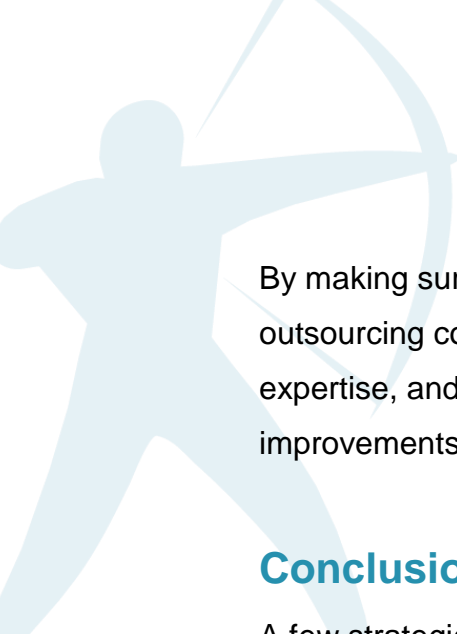
such as appraisal management, compliance and document production, rather than contributing to revenue-generating functions that drive business growth. In addition, validating, maintaining and managing the right skill sets and certifications for third-party personnel, such as appraisers, can be time-consuming, costly and prone to error.

In the case of appraisal management and compliance, outsourcing is once again a high-value decision. By outsourcing the entire appraisal management function — or even certain pieces of it — you can reduce the number full-time people who are basically functioning as a cost center and redirect those resources to a profit center. In addition to seeing an improvement in your profit margins, you will likely find that employee satisfaction improves as people realize their work is now contributing more directly to business growth. You will also benefit from outsourcing appraisal panel management in situations where your chosen vendor has a strong, established appraiser network and guarantees maintenance of required licenses and certifications.

The closing process is another area that can be a source of frustration for people — both employees and borrowers. Moving to electronic documentation and e-signature technology will reduce overhead and help accelerate loan closing, while reducing the administrative burden on your people and making the closing process easier for your borrowers.

By making sure you keep your in-house employees focused on revenue-generating roles, outsourcing cost-center functions to proven vendors with strong people and deep expertise, and moving to electronic closing documentation you can achieve significant improvements in profit margins.

Conclusion

A few strategic changes in the areas of processes, technology and people can results in huge improvements in profitability. Carefully selecting vendors who offer the most flexible, advanced technology and proven expertise can help you streamline processes and close loans faster, while also enforcing compliance. Outsourcing functions such as appraisal management will yield immediate reductions in fixed costs and overhead while also saving you money longer-term by reducing mortgage buy-back risk. Technology automation, electronic closing and process outsourcing will not only deliver measurable improvements to profit margins, they will allow you to refocus your people on what matters most — customer satisfaction, the best borrower experience and business growth.

About Accurate Group

Accurate Group is a leading provider of real estate appraisal, title and compliance technology and services nationwide and an expert in home equity loans. Accurate Group combines exceptional service with advanced technology and its proprietary AccurateAudit™ compliance foundation, going beyond a traditional appraisal management company (AMC) to provide banks, credit unions, servicers and other mortgage lenders with the best combination of speed, accuracy, regulatory compliance and price. With Accurate Group, lenders gain a strategic partner and next-generation technology that can help them increase revenues, lower costs and improve compliance across all types of real estate loans, including residential mortgage, home equity, refinancing and default servicing. Visit www.accurategroup.com.