NATIONAL MORTGAGE PROFESSIONAL MAGAZINE
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A SPECIAL FOCUS ON

The Future Of Mortgage Banking

The Mortgage Industry: Collaboration is the Key to Transformation

By Patrick Stone

How can all segments of the real estate industry—lenders, real estate agents, settlement agents, appraisers, inspectors, etc.—spend so many dollars on technology over the last 20 years and we still have a process that takes too long, costs too much and leaves the consumer befuddled? The answer is the lack of collaboration.

Engagement with one another is no longer a professional expectation, but a necessary partnership. Consumers continue to expect higher quality and faster turn times as technology continues to advance, and now, it's time for the mortgage industry to embrace change.

For the housing industry to continue to advance, all parties must be on board in order to help mortgage lenders move forward. This includes appraisers, title companies and many other parties coming together to do what's in the best interest of the borrower.

What borrowers want is simple … a fast, straightforward, easy-to-understand experience from application to close. And mortgage lenders must find a way to utilize technology to bring life to these needs, while operating in a heavily-regulated environment.

It is not a simple task by any means, but with teamwork and collaboration between companies, it is within reach. At times this might mean releasing control and being willing to see the job or process from a new perspective. I don't care what industry you're in, control is an impediment to change.

Increase technology and collaboration

While not always the case, often times mortgage industry participants can embrace change by reducing their FF&E—that is: Furniture, fixtures or other equipment—their physical locations, and increasing their level of technology.

WFG National Title Insurance Company is a national settlement services provider and yet has just 71 offices. It is one of six truly national title companies, and generates significant revenue by embracing a single technology platform that eliminates re-keying of data and is task driven.

Instead of expanding their reach by building new offices, companies should look to expand their reach by embracing technology and finding ways to integrate seamlessly with mortgage lenders' current systems.

Third-party servicers to the lending industry should be focused on technology that allows them to become a part of their clients' processes. While it was slow going at first as many resisted the urge to relinquish control, lenders are increasingly outsourcing their needs.

For the first time in my career, we're actually having conversations with lenders about collaborating to identify pain points. Previously, third-party vendors would talk to lenders about how to improve their interface and collaborate better. But now, lenders are actually listening and are interested in the changes they can make and how they can collaborate. This is progress.

Today, more and more lenders are now outsourcing more responsibilities and embracing variable costs. This helps lenders control costs during downturns, but also opens new possibilities for third parties to help improve the mortgage process. It's no longer just the lender's responsibility to utilize technology to create a better borrower experience. Lenders are now more open to collaboration than I've ever seen before.

Better, faster mortgages

As technology in the rest of the world continues to improve the consumer experience, all mortgage transaction participants must work together to improve their process.

Not only do consumers expect higher quality of service, but they also want it faster and in a format that is easy to digest. And the mortgage industry is stepping up to the plate:

- Land Gorilla pioneered a new way of managing construction loans by creating a cloud-based system that makes lending faster, safer and more efficient.
- Valutrust Solutions provides real-time property information, complete with neighborhood and comparable sales data, in an easy to use interface to assist lenders in their interactions with borrowers. Additionally, aided by its integrated, proprietary technology, Valutrust has been able to drive significant time out of the process for delivering compliant valuation products.
- DecisionPoint, a new product recently announced by WFG, can process a title request within seconds using only the borrower's name and the property address. It is designed to instantly deliver a title grade and completion time estimate to lenders, advising them of any title issues that need to be resolved prior to closing and enabling them to identify the estimated 30 percent of loans that are clear to close upfront.

And as we increase collaboration, the possibilities are endless. We can continue to make the process faster for all parties, and deliver a better mortgage to the borrower.

The amount of data we have in our industry, coming from real estate agents, lenders, title companies, appraisers, inspectors and everything else, is absurd. We recently conducted a survey in order to determine how many times a property address was entered on a typical transaction. The results? The address gets entered an average of 80 times. Can you enter an address 80 times without making a mistake?

By using technology to enhance collaboration, not only do we eliminate the need to take the time to enter a property address 80 times over, but we also reduce the number of mistakes.

It is absolutely crazy that we have an industry where we close about 70 percent of the loans we start, even though it takes about 43 days on average to finalize the deal.

But this can be significantly improved with collaboration and integration between parties.

And it isn't just the time to close that has borrowers upset, but also the time it takes at the closing table itself. It can take hours to travel to a title company, wet sign all the closing docs, and the borrower still probably won't know what much of what they signed even means.

But collaboration is also improving that. Many eNotarization companies continue to integrate with title companies, allowing borrowers to close from anywhere. And eClosing technology has allowed borrowers to sign pages electronically.

The challenges of regulation

We have so little conversation between real estate agents, lenders, title companies, appraisers, inspectors and attorneys. The level of cooperation has been minimal, and one of the key reasons for this is the regulation in the housing industry.

Many regulations, such as TILA, RESPA and others, prevent participants from being able to work together too closely for fear of kickback violations. When, for example, a real estate agent refers their clients to a lender or vice versa, the scrutiny increases to determine if and how one party is benefiting by referring clients to the other party.

While rules like this do protect consumers from being referred somewhere against their own interests, it also decreases collaboration between parties in the housing industry.

Regulation can also cause a speed bump for technology providers. There are federal regulations that guide some parts of the mortgage process, but there are also state regulations that could differentiate from one state to the next. For national companies, this becomes a problem.

The true future of technology

People always come up with fairly absurd assumptions about how technology is going to radically change everything. But the reality is, technology is a tool that allows us to do things more efficiently.

Many say real estate is more complicated than other lending industries, which explains why it takes more time to originate mortgages than it does for, say, a car loan. However, this complexity only serves to create more of an opportunity to improve.

If the housing industry could create a more integrated process and share data instead of breaking it up, the mortgage process would look drastically different than it does today. But housing industry participants have to stop doing everything separately and find a way to collaborate and integrate with each other.

And as the mortgage industry continues to integrate, and as eClosings become more common, fluidity in the market will begin to increase and will cut time and costs, while increasing efficiency. We are talking about a transformation. It is time to embrace the digital mortgage.

Patrick Stone is the executive chairman and founder of Williston Financial Group, a family of businesses dedicated to taking time and cost out of real estate transactions. He has had a lengthy career in real estate and real estate-related services, including positions with three public companies and as a director on two Fortune 500 boards. He can be reached by e-mail at PStone@WillistonFinancial.com.