So What Has Technology Brought Us?

When you look across the mortgage technology landscape, most mortgage technologists would argue that Automated Underwriting Systems (AUS) have had the largest impact on the industry. They would argue that AUS's probably result in the greatest savings of all the various technologies introduced in the last decade. Yet a recent report from Forrester Research suggested that there was little costs savings from their use. If AUS's have done little to decrease costs when most technologists would put them at the top of the list of cost saving solutions, what then has technology really brought us?

Other technologies such as the Internet, Windows based loan origination systems (LOS), and prequalification software could yield more savings but the industry really hasn't seen a significant drop in the cost to originate a loan. The longterm trends have actually shown an increase in the costs to originate a loan. Part of the reason for this has to do with the increased government compliance. When you look at a loan package from the 1970's and compare that to today's, you'll see far more paperwork. Not only has government compliance increased the costs, but so has the dramatic increase in legalese. Our litigious society has forced the addition of dozens of pages to the loan package.

With all the technology marvels we've come to use and appreciate, what in the future might actually be something that would save the industry some real dollars? I believe that the next frontier will be related to collaborative solutions among all industry participants. The LOS has been great for automating the internals of the mortgage production office but the LOS really needs to tie closely with all the 3rd parties that provide their services to the loan production process. When you look at what keeps the industry inefficient, it's mostly related to moving data to and from the 10+ products/services that help us process and close a loan. The LOS must transform into a full-blown transaction platform capable of communicating every last detail with all the vendors and lenders a mortgage staff works with. This won't happen overnight and it takes the cooperation of virtually every company that serves our industry.

Eventually, the LOS will move data to/from the backend systems used by vendors and lenders in the industry. Just for a few examples, let's look at lender/broker transactions. Rate locking and loan submission with the click of a mouse is a given but there are far deeper levels of integration that can be had. The lender's system and broker's LOS should tie together in such a way that if the interest rate doesn't match while the loan is locked, the broker would immediately obtain a red flag. Another example is that every time an underwriter signs off on a condition, the LOS would be updated. For vendors like a Title company, every step the title office takes should show up in the loan status section of the LOS. A flood vendor should be able to know if any loans anywhere in the loan process don't currently have a flood cert when they are at the stage that they should. Vendors and lenders should be able to help loan originators do their job. This adds value to their service but more importantly, reduces the expensive human labor so often required today for coordinating all aspects of the loan origination process.

Looking back at the Forrester study, it might be difficult to quantify any real savings from the introduction of any new technology. Yet clearly, we can look at today's process and know for a fact that if it were all done without automation of any kind, it would cost several times what it costs today. I believe that over time automation gets better but the process becomes more complicated. It's almost as if processes will expand to offset any efficiency gains from new technology. Or, when it becomes easier to perform certain functions, people will add more functions rather than let the process become more efficient. An example of this is the borrower prequalification process. Previously, we used to calculate a top and bottom ratio using a calculator and that was the end of the prequal stage. Today, a loan officer might use sophisticated prequal software and analyze a borrower a dozen different ways. They might also use one or more AUS's to assure the client will be approved for a loan.

While technology might not be showing significant savings in the cost of originating a loan, we are providing consumers with a far better process and with improved service levels. It appears that the real advantage of new technology is a better, faster and fairer process that the consumer can appreciate.