MORTGAGE CADENCE

A new approach to mortgage lender services

A white paper

Successful mortgage lenders operate at peak efficiency. This is true in all mortgage markets, but particularly so in a purchase money market.[1] Efficiency reduces costs and cycle times as it opens the door to increased productivity and higher borrower satisfaction scores.

Naturally, every lender wants to operate at peak efficiency, but it's easier said than done. Instead, most are plagued with inefficiencies that increase costs, drive down borrower satisfaction and put lenders at a competitive disadvantage.[2]

And this is no time to be at a disadvantage.

Making the shift from refi to purchase money originations is already proving to be a challenge for many lenders.[3] After all, most are operating in closed, "vertically integrated" ecosystems[4] where they have limited access to the tools required to improve their vendor experiences, and limited extensibility in the core platforms they use to operate their businesses.

This is true despite the lender's recent technology investments. As a recent industry report states:

> **"Over the past five years, many major bank and nonbank lenders have invested in either proprietary or third-party technologies across various parts of the value chain to help with a number of processes.**
>
> **The expansive list of steps that have been addressed include front-end platform modernization, workflow management, document extraction and management, income and asset verification, employment verification, title verification, appraisal management, e-closings, automated compliance, and decisioning.**
>
> **These software solutions are designed to speed up the mortgage-application process, lower costs for the lender, and improve the overall customer experience."**[5]

In short, they have plenty on their plate right now. So, why is it so difficult for lenders to take control of their own process and innovate their way to increased success, removing inefficiencies and increasing profitability and borrower satisfaction in the process?

It's easy to point at the tech stack, but today's mortgage technology is better than it's ever been. The tools lenders have access to today are exponentially better than what has been available, even from just a few years ago. Vendors understand the business and they know what lender problems their products and services can solve.

While choosing the right vendor will make a big difference in the lender's overall efficiency, it's not the deciding factor. There are plenty of examples of lenders who perform well and lenders who perform poorly using the same vendors and tech stacks.[6]

The real problem the industry is facing today is not specific to a given tech stack or a particular set of vendors; it's that the lender's core system, the Loan Origination System (LOS), lacks the ability to connect to these products and services in a way that allows lenders to create an innovative process their people can master for the benefit of the borrower.

Connecting services for lender success

You may be wondering why the Application Programming Interface (API) hasn't already solved this problem. We asked ourselves that same question. These "hooks" built into modern software applications were designed to make it easy for other developers to connect and share data. That is essentially what they do.[7]

It's true that choosing the right vendor partners is important, and connecting is now easier than it was in the past, but using APIs to create a custom tech stack is not easy. When the lender's LOS provider has already locked itself into a preferred set of partners, it gets even more difficult, and the result is that most lenders struggle to differentiate themselves in the market.

The truth is that most LOS platforms tend to get in the way of the lender's efforts to create their own preferred tech stack and borrower journeys. They inhibit innovation and create friction by unnecessarily injecting themselves into that relationship. This happens often in pursuit of revenue from either additional transaction fees or subsidiary profits.

If efficiency is the end goal, no technology vendor should stand in the way of the lender creating the experience they want. In fact, an ideal solution would involve a core systems technology partner that helped the lender do just that.

Benefits for both sides of the transaction

Most lenders who contemplate changes to their tech stack are thinking about their borrowers' journeys. This is very important right now. While there are only a few typical journeys for refinance borrowers, there can be **six or more** for purchase money borrowers.

McKinsey research has shown what every lender knows: "borrower expectations for digital engagement have risen dramatically over the past 18 months. Our internal research indicates that about 60 percent of both purchase and refinance borrowers would be open to completing their entire mortgage application online, without phone or in-person support. Moreover, customers crave speed: satisfaction drops by roughly **15 percentage points** if the lender takes more than ten days to provide a decision on the application."[8]

As a result, it makes sense that lenders have been focused on tools to meet these borrower expectations. The consumer, however, is only one of the parties impacted by inefficiencies in the mortgage loan origination process. The group that bears the most pain is the lender's back-office employees.

When a tech stack requires a loan processor to manage multiple tabs on multiple screens, signing in with different credentials to different systems in order to complete a task required to progress the loan, it quickly becomes an exhausting ordeal. The "office chair swivel" that sends a processor moving between two monitors all day long is a leading cause of errors and burnout.

Lenders must achieve higher levels of borrower satisfaction, true, but it's also true that they must provide a **better experience** for their back-office personnel if they hope to retain them.

A real problem in need of a solution

In most cases, the LOS provider is the unwilling integration partner who must now figure out how to connect a new service to its platform. Any error that occurs will be blamed on them and the new connection may ultimately be less profitable than the out-of-the-box solution the lender first implemented.

Each API comes with its own specifications for integration, its own overhead, authentication, and data definitions. This package is different for every product and service available on the market. Working through this to create the required integration is a difficult job.

This work typically starts with a contracting conversation between the LOS provider and the vendor, followed by a security conversation, and then a data payload conversation. All of that overhead takes time. It's an **inefficient process** that involves money, lawyers, contracts, and a lot of meetings.

Even when a single large services provider offers a number of solutions the lender wants to implement, each integration comes with its own package and must proceed down the same long, painful course. It's starting from scratch for every product ordered.

The high cost of mortgage lender inefficiency

Pain for the integration team is regrettable, but that's part of their jobs. It's the pain the borrowers feel, the back-office personnel must deal with and the damage to the lender's bottom line that all cry out for a solution.

There is a reason that lenders and technologists have battled friction in the origination process for so long. Inefficiency is the slow killer of companies. It drains the life out of the enterprise by making every task more difficult, less satisfying and more expensive.

To make clear some of the reasons inefficiency must be removed from the loan origination process, we offer the following:

Higher costs
Every day the loan is in production costs the lender money. Inefficiencies add time to every process.

Lower productivity
Poor vendor connections that force workers to move out of the LOS to process loans reduces productivity and directly impacts the profitability bottom line.

Lower borrower satisfaction
Every time a lender misses a deadline or re-connects with the borrower for additional information, it degrades the experience.

Inability to innovate
While innovation means something different to every lender, taking away the ability to make changes to their own process makes innovation impossible. This puts the lender's own business beyond its control.

Degraded vendor relationships
Problems create barriers that can prevent lenders and their vendors from seeing eye-to-eye. This creates problems that cost post parties money and time.

It's in everyone's shared best interest for lenders to close more loans at a lower cost and with greater efficiency. The LOS, for all of its power to solve lender problems, is still standing in the way of this when it comes to the services the lender needs to meet this goal.

During the process of completely rebuilding our Mortgage Cadence Platform (MCP) LOS, we realized that this problem needed to be solved if lenders were ever to get all the value out of this powerful new platform.

We knew we needed to get out of the way and let the lender work with their preferred service providers, so we spent a great deal of time considering and researching what a better solution would look like.

In search of a perfect solution for lender services

We wanted a solution that will give lenders the power to innovate, giving them the ability to create a better process with less friction. They must, therefore, have the ability to connect to any vendor they choose and integrate the resulting products and services directly into the LOS. This prevents their loan processors from needing to leave the system to complete their work. We wanted to offer lenders the ability to change their process at any time, easily, and have it work within one business day.

How could this possibly be achieved? Here is what our solution includes:

01

An API-first architecture

The first requirement must be an LOS built on an open architecture that allows for a robust API layer to make it possible for any vendor to connect. This means opening up the platform to vendor connections and publishing an API that will make it possible for them to accept orders and return data.

02

A technology and vendor agnostic approach

By now it's clear to everyone that allowing the LOS developer to drive lenders to "preferred" vendors or tech stacks does not serve the industry well. Lenders must have control of their own corporate processes and should not be limited in developing their own steps to achieve them.

03

An easily configurable UI

One thing we've learned is that even the most powerful functionality built into a technology solution will deliver no benefit if the user can't find it, understand it and use it. This means providing a highly configurable, dynamic user interface (UI) that will allow lenders to customize the screen flow to suit the roles and users within their organization such that the user sees only what is required, when it is required.

04

A method for Day One transacting

The ideal process allows any lender to create a new process, make the connections with the LOS to the vendors of choice and test it within one business day.

It turns out that all of this can be achieved. We know this because we built it, tested it and are currently deploying it throughout the industry.

A new approach to mortgage lender services

When Mortgage Cadence began the process of completely re-architecting our platform, MCP, we made the decision to build on an API-first architecture.

That meant creating a broad and highly functional API surface for the new platform that could provide unprecedented access and the ability for lenders to connect MCP with external systems within their organizations.

In the process, we created a new Lender Services layer that is tightly integrated into MCP, the lender's core system. This provides for a variety of integration options, each of which allows for the lender user to remain on the platform and work in a consistent UI while connecting to their vendor partners of choice.

This approach is different from anything else available on the market today for two reasons.

First, we have adopted a true "provider agnostic" position in the market. Our focus is on supporting lenders doing business with their business partners of choice and not on driving lenders to specific vendor partners or tech stack.

Second, we support a variety of ways to connect lenders with service providers, with different levels of automation, and with Day One production abilities that no one else offers today. This allows a new service provider to register and deliver an integrated service to the lender user, accessible from inside the MCP, on the same day the relationship is created.

This empowers lenders to innovate freely and remove inefficiencies by making alterations to their process as soon as friction presents itself. Finally, lenders will have complete control of their corporate destinies.

The solution meets all four requirements of an ideal solution:

01

We have embraced the API

Without an API-first architecture, every change the lender contemplates will require a great deal of work and time, regardless of the elegance of the vendor's API. The LOS, whether its developers intended this or not, becomes the gatekeeper. The accessibility of the LOS will determine the lender's ability to innovate. We have completely circumvented this challenge.

02

We have removed the limitations on lender choices

When technology providers have vested interests in particular vendor partners and provide an LOS solution that makes connections to others difficult, lenders lose the ability to innovate and control business processes. We have overcome this challenge.

03

We built tools for lender control

The role of the LOS is to complement and facilitate mortgage lending within a larger business ecosystem by giving lenders control, but no prior LOS technology has provided an easy method for this. We built our new system to deliver an industry-leading, dynamic, efficient and customizable LOS experience that affords our customers control and the freedom of choice to select the tools that best fit the needs of their business.

04

We provide Day One transacting

Instead of requiring every lender to integrate with every vendor they want to work with, we have integrated all MCP users to our services layer and made it very easy for vendors to connect there and transact.

This is not a "universal connector," which is just a fancy way of saying that the software has many connection points but the integration must still be created. We've built a platform that allows the parties engaged in a real estate or mortgage transaction to communicate in a secure fashion and do business in a predictable way using standard attributes of an electronic business conversation.

We have created an API package that allows any service provider to self-publish products or services, without the platform getting in the way, so that a lender can transparently understand what it's going to take to request, purchase and consume that service, whether it's documents or data. The lender can begin buying and consuming these offerings immediately.

Should the lender later decide to move forward with a full integration conversation with the vendor partner, they are free to do so. Same goes for the vendor. When that full integration becomes available, the lender user experience will be unchanged as the offerings will still be ordered and delivered through the LOS. No retraining is required, and the lender will see no changes to previously implemented procedures.

If you're ready to take full control, we welcome you to schedule a demo of the new Mortgage Cadence platform. We're excited to show you what you can do with a system designed to remove the limits to your innovation.

About Mortgage Cadence

Mortgage Cadence delivers the industry's most complete, modern, cloud-based digital lending platform designed to provide an exceptional user experience throughout the entire mortgage lending life cycle, across all channels and products. With a leading borrower point-of-sale through closing collaboration tools, the end-to-end platform is both complete and configurable offering an open-architecture designed to meet the needs of today's lenders. The platform enables lenders to work more efficiently, leveraging automation and workflow tools that deliver an excellent borrower, sales and operational user experience. For more information visit www.mortgagecadence.com.

About the author

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