Digital mortgage transformation: a foundational change

As customer expectations have evolved and competition from nonbank market entrants has expanded, large mortgage banks require a rapid shift in both digital capabilities and strategic mindset.

Digital capabilities are transforming the full mortgage life cycle

**Point of sale (POS)**
- Engaging tools and calculators, providing customers with indicative pricing and product availability upfront
- Simple online application that captures, validates and provides conditional decisions instantly

**Origination**
- Workflow-enabled straight-through processing, reducing need for manual keying, intervention by processor
- Data verification of credit, income, identity and title insurance via third-party integration to origination system

**Underwriting**
- Automated sourcing from application; submitted documents with alerts for missing information
- Conditional approvals POS platform engine analytics succinctly highlighting red flags and resolution options

**Secondary marketing**
- Linkage with investor underwriting platforms to accelerate borrower decisioning and loan sales
- Enrollment in programs, such as Day 1 Certainty, to streamline required verification activities

**Closing**
- Expanded use of electronic signatures (e.g., DocuSign), effectuation where available; promoting detailed borrower review prior to closing
- Hybrid process enabled for documents requiring wet signature at closing

**Servicing and default**
- Multichannel account access, real-time status, and straight-through and self-service transaction processing
- Proactive outreach and service offerings based upon predictive analytics
Foundational changes are required to support this transformation

Implementing a holistic digital mortgage program will require a demonstrable shift from existing legacy strategies. Strong commitment to the journey will enable a superior customer experience, while reducing operational expenses.

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advanced analytics</strong></td>
<td>Reactive, exception-based reporting and metrics, providing a retrospective view of custom behaviors and operational performance</td>
</tr>
<tr>
<td><strong>Straight-through processing</strong></td>
<td>Fragmented process of data and documents housed in disconnected systems and repositories</td>
</tr>
<tr>
<td><strong>Paper suppression and elimination</strong></td>
<td>Bulky, inconvenient paper-based product origination and servicing, providing infrequent touch points with customers</td>
</tr>
<tr>
<td><strong>Platform thinking</strong></td>
<td>Proprietary, outdated transactional processing supplemented with wrapper technology, requiring significant maintenance effort and slow waterfall change programs</td>
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<tr>
<td><strong>Data management and integrity</strong></td>
<td>Legacy data distributed across multiple disconnected repositories, leading to compliance, performance and security management challenges</td>
</tr>
<tr>
<td><strong>Managed services</strong></td>
<td>High fixed costs supporting quality, accounting, oversight and specialized clerical activities</td>
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Disciplined investing creates sustainable results

As non-banks were 6 of the top 10 largest lenders by volume last year, traditional banks can no longer delay investing in digital technology or should partner with FinTechs to enhance their offerings and slow erosion in market share.¹

**Link to business strategy.** Organizations must define their business strategy and target investments in digital-mortgage capabilities that directly align. In areas where a bank is currently unable to deliver on customer expectations, third-party providers can augment existing tools, processes and capabilities and promote an accelerated timeline to the target-state digital mortgage.

**Foundational capabilities.** Creation of a flexible, application-programming interface-enabled technology foundation will enable the organization to quickly adapt to innovation in the marketplace and changing customer needs. Transforming to a software-as-a-service (SaaS) model enables internal technology teams to focus their efforts on innovation and continuous improvement vs. maintenance of complex legacy systems.

**Prioritized initiatives.** Clear priorities to deliver innovative services and build a strong, flexible foundation are required to make sure that investments align with market, efficiency and control objectives. Executive commitment to a unified vision is critical to success in large transformational efforts.

**EY brings the resources and methodology to guide your digital mortgage transformation**

We are assisting leading institutions to redesign their mortgage operations to meet the challenges of a new digital era where flexibility, innovation, customer centrity and compliance will be critical to market success.

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Hybrid process enabled for documents

Proactive outreach and service offerings

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Linkage with investor underwriting

Simple online application that captures,
Contacts

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