



matchbox (Op)erations (Ed)itorial Page
Thoughts and Observations on the Mortgage Industry
January 6, 2015



matchbox consulting services - we speak mortgage....

Consulting Insight - Change is good

Change is good. Our business model is based on change, and we sell change on a daily basis. Not change for the sake of change, but change for the sake of improvement. As we set New Year's resolutions, it seems as if there are an unlimited number of articles regarding promises, improvements, and keys to a new you in 2015. While the turn of a calendar year is as good a reason as any to make some drastic changes, we tend to hope that you are more interested in continued change or improvement. The world around us is changing more rapidly than ever before and new versions and updates seem to come more frequently than we can keep up with. Whether it is an app update, software update, or new piece of hardware, companies are continuously working on making improvements in order for you to continue using their products; however, change is required on both sides. Companies need to change their product offerings, and you need to embrace and implement them. Going into 2015, we are asking you to do one thing: embrace change for the sake of improving yourself and your company. There is a continued fear of change, but we would ask, "Isn't it even scarier to think of where you will be at this time next year if you do not change?"

Secondary Insight - Check the Weather forecast!?!

2014 closed with rates at their lowest levels of the year.

Along with some positive employment and housing reports, you should have been provided with a robust, locked pipeline going into 2015 - considering it was December. Looking back one year ago, there were a number of variables that led to a weaker than normal start to 2014. While many of those conditions do not exist this year (mainly ATR/QM), one important, unpredictable item remains. While on the surface winter storms may not seem like a Secondary concern, every year the weather costs many lenders tens of thousands of dollars. Erratic weather can, and will rear its ugly head this winter which can lead to significant delays. These delays will result in appraisals taking longer to be completed which will lead to deals sitting in underwriting, delayed closings, and leading to lock extensions. These unpredictable "costs" are a big area of revenue exposure as they are often absorbed in favor of saving the loan. They are usually not tracked effectively and often not realized until the financials are completed. Then someone asks, "Why are margins stagnant or dropping?"



In reviewing many firms financials from January and February 2014, we noticed many (too many) Secondary based exceptions which led to a dramatic amount of forgone revenue.

The most concerning aspect of our findings is the fact these costs remain under the radar. Nobody is tracking or appreciating the true impact of these decisions. As an example, you need to have a clearly defined lock extension process along with the ability to track extensions. More importantly, you should first establish a pipeline review process for identifying possible extensions before they occur. For example, if you have 30 locks that are expiring in the next 2 weeks and have not been submitted to underwriting, do not rest on your laurels that they will all receive multiple 7-10 day extensions (which would also make them harder to track). Get ahead of any potential issues by seeing which deals are closing when and extend appropriately. Oh - and when you make exceptions to that policy, eating the extension cost with free extensions because 'Hey the market is rallying' - just think about tracking these exceptions in the aggregate. The costs add up quickly. In this market, every basis point counts - and those 1 day freebies add up. If you are extending 10 loans every week, and those costs are getting lost in the process, it can and will add up. You don't need to enter a JV with your local meteorologist, but do be aware of the costs some nasty weather winter can bring. Anything that can impact your pipeline and profitability must be appreciated and respected.

Technology Insight - Data Wars

He who owns the most data wins. We have made this statement before, but it appears that it continues to grow in importance. If you break down all of the changes the mortgage industry has experienced over the past few years into one single concept, it is that firms need to know who did what and when on a loan file. Your CMS and LOS are drivers to this process, and it boils down to your ability to pull data and analyze it quickly for your particular purpose. The firms



that continue to depend on manual inputs and mismatches of data between systems will be exposed this year. Requests to pull historical data reports will continue to grow in number, but as technology advances, the time needed to process these requests should only shrink. Timelines for reporting should shorten, and unless you want to add staff for reporting purposes, you need to get a data strategy in place.

In order to own your data, you need to have a standardized process for accessing it quickly and efficiently. Companies continue to depend on the reports generated from their LOS for the majority of their data. Although this is substantial in some cases, it does not tell the whole story nor does it make this process any more efficient. HMDA and NMLS extracts are perfect examples of this. These reports should be able to be created on a daily basis. While this is not essential, the point is that your HMDA and NMLS reporting process should be able to be completed with minimal effort and at any time. If you are not in control of your data in real time or feel this process is overwhelming, then the start of the year is the perfect time to fix it as you have a fresh start for data collection. Ignite was founded to accomplish the mission of putting your data in your hands. Please contact us to make that happen.

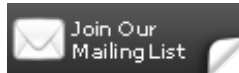
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