igniting ideas for the mortgage industry.

matchbox

Matchbox OP(erations) ED(itorial) Page

Thoughts and Observations On The Market

Head Scratchers

Streamline Workflow With Ignite's AFT!

What We Do

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The founders of matchbox have created a sister company that is focused on building custom technology products that focus on streamlined LOS integrations. Simply put, our goal in this venture is to make your life MUCH easier. The company is Ignite Integration Solutions or IGNITE for short. If you want to learn more about its offerings, please let us know.

As we kick off Q4, the mentality of the mortgage banker will start to shift. The Spring and Summer seasons always bring a swell of volume and as the temperature cools, so does expected volume. After last Q4 and Q1 of last year, many bankers are quickly becoming cautious. Will this winter be different? It better be!

It seems that many firms are either trying to hone in on whether they should proceed with changing business models which have been stagnating for most of the past few months, or are considering / completing an M&A transaction. In either event, it has led to a few questions that we debate about internally and wanted to share with you. The questions always begin with how just about every mortgage banker can better themselves. So instead of wondering if this winter will be any different from years past, why not do something to ensure you don't fall into the same traps?

Also, as promised, we've go anther Ignite application to better your workflow, data and reporting. Keep reading...

Vegas anyone? We always welcome the opportunity to meet with our friends, clients and readership. Let us know if you're attending and would like to get together to discuss some of these (and other) topics. We would be very interested in learning about your challenges and successes. We have gained a lot of experience over the past few years, and we have insight that can help in the quest for efficiency, quality, and profitability. Our Operational, Encompass and Secondary knowledge has grown and continues to do so each day. Let us share some of that gained knowledge with you. Hope you enjoy!

Things that make you go hmm.....

Why are workflows still so darn messy?
The business is pretty straight forward; loan is originated and purchased over a period of time. What separates the successful from those who struggle (and look to be acquired) is what takes place in between those two points in time. There is such a variance in what the workflow *is* and what the workflow *should be.* Most challenges are attributed to making concessions to aid the sales process. While this may be beneficial on the surface, the result rarely leads to increased net revenue or client experience. Workflows that allow for incomplete files to be submitted, or have multiple people touching the file before underwriting, or allow for a file to go back and forth multiple times after approval are workflows that ultimately increase costs and frustrate clients. A lenders workflow should be defined with a clear understanding of who does what and how long it should take them. The days of not knowing this information is over and if you are unclear about this, then you have prioritized the loan officer above the client and making $$$.

Why are firms switching hedge advisors?
There are a lot of companies switching vendors in the risk management/hedge advisory space. Why? Typically it's a result of lower than expected returns. When performance dips, who else can a lender point the finger at? Secondary managers won't look to themselves or the data, or investors. The 'hedging firm' is an easy target, especially as competition is fierce. In working with most of the models out there, we can attest that if you are not making money, it is not due to the model. The simple truth is that it's rarely the hedging firm. The models employed by the hedging firms are tested and perform correctly, if and only if, good data is supplied and the Secondary Department successfully managing the pipeline and investors. We've performed dozens of Secondary Reviews for lenders and we can say without any hesitation that improvements in performance start with internal processes, policies, strategy and data integrity - not 'the model.'
Have poor data? Not sure?
Are pricing strategies in-line with maximizing mandatory delivery gains?
How many hedge related reports are viewed and acted upon daily?

These models have been tested and can yield gains of 40-80 bps over Best Efforts for some lenders. While spreads are completely lender specific and may not reach these level we can tell you averaging 10-15 bps is a problem. And a problem that's unlikely tied to the model. Before switching vendors, take a good look in the mirror for some self-analysis. The grass is not always greener. And if you need help finding the areas that are contributing to the lack of returns, then, hmmm... we think know a company that specializes in this....

Why are Underwriters not valued more?
So many firms lose focus that Underwriters are the most important resource in a workflow. They are the highest paid personnel for a reason and thus should only be working on files that have the best chance to close in the most efficient timeframe. Yet we often see files in varying stages of disarray sitting in the underwriting queue, reviewed by an underwriter 20 days after submission only to have a conditional approval issued that is 4 pages long and the file takes 2 months to close. How in this market does this make sense? Wouldn't it make more sense to have the file prepared in much better shape so that the approval can come out with 5 conditions and close in a week? We are often asked about how many files should an underwriter be able to work on a day? And my answer is 5-7! But that is only if the workflow is set up to allow them to open a file that looks the same in a paperless environment, is fully complete with documents up to date, and has the right information within the file to allow them to hit the ground running. The banks that have underwriters working on 1-2 files a day are the ones who have not set up the underwriters to succeed and are allowing the firm's most valued resource to do someone else's work instead of just being able to underwrite.

Why is compliance such a mystery?
Why does compliance feel so cumbersome with such vague answers? Interpreting regulations is not easy and they certainly vary. Lenders get caught up looking for answers in the wrong places - or are on a constant quest, looking for an answer that simply doesn't exist. Just because you don't like the answer doesn't mean it's wrong. Between technology, talent, compliance firms, consultants etc there are more than enough avenues for lenders to have a strong compliance process in place. Now of course there is a balance here as some lenders are so conservative they are restricting themselves and opportunity. Want an example? We're seeing wildly different takes on pricing policies and how they translate to lender credits, discounts, QM par rates and ultimately fair lending and LO comp. Lots of smart people out there have polarizing views - some are on target and others are way off base.

Why is there so much consolidation between firms today?
The reasonable thought would be so that they could achieve economies of scale and generate more volume at a lower cost. While that is happening in some cases, we are mostly seeing firms remain intact after the deal and not achieving any savings other than on the vendor side. It appears that most deals today are done for volume and not savings. We're not sure if this a recipe for success but somewhat concerning as the intended benefits of the transaction may never be realized. It's nice to talk a big game but rarely do we see true operational synergies during these M&A volume grabs. Are there lenders our there focused on making this work? Sure, but the cost and time to align ops, culture, LOS etc is always underestimated.

Streamline Your Workflow With Ignite's AFT!

Last week we spoke about the importance of DATA and more importantly accurate data to improve efficiency, profits and compliance. Well of course Ignite has a tool for this. One key piece of file flow that is under-appreciated and causes stress and concern when inaccurate is the management of loan folders. The importance of moving files from folder to folder throughout is critical as it allows for well run business rules and accurate reporting.

The Auto-Folder Transfer (AFT) application monitors milestones in your workflow and moves the loan to the designated loan folder based on loan criteria. How many times have you run a report only to realize that the number of loan files in your report seem off? You then adjust the filters on your report ump-teen times over to garner the results you 'think' are more accurate. Many times then end result is adding all folders, then weeding out the loans that don't qualify for the criteria you are looking to report against and then 45 mins later you have the information you 'think' is correct. Huh? Really? Is that how we are spending out time?

The inconsistencies arise due to a user forgetting to move a file to the designated folder for Closed loans or an Adverse folder for loans that have been Denied. Well, lets clean all of this up! Don't rely on your LOs or Processors to accurately move loans from folder to folder. It's a waste of their time and ripe for reporting errors.
What if all loans were just where they are supposed to be? What if all you had to do was run the report once?
What if it only took you 2 mins?
What would you do with the additional 43 mins you just saved yourself?

The AFT automated the process so your data is more accurate and personnel can increase productivity.

The most common auto folder moves are for:
When a Application becomes a loan
When a loan closes
When an adverse decision is made on a file (Withdrawn/Denied)

The AFT tool will monitor these events on the loan and move the file to the designated folder. All of the aforementioned events have HMDA/NMLS implications, so having these loans in the appropriate folder will assist in generating HMDA & NMLS reports. Can compliance even imagine a world where HMDA and NMLS reports are not 4 letter words? The AFT tool will take the responsibility out of the user's hands and alleviate the frustrations that come with erroneous folder moves or lack-thereof and create more consistent results for reporting purposes. Email us & let us know if you would like a demo of the tool in action.

About Us:

matchbox is a collection of gritty industry veterans who decided to create a company aimed at helping mortgage companies ignite ideas that are outside the box to realize their true potential. We have years of real-life, hands-on experience in the business, and we want to offer our keen insight to others as they take on the challenges before them.

As individuals, we each contribute unique perspectives and expertise. Collectively, we provide a true roadmap to success, regardless of your current situation. Like any master craftsman, we are very passionate about our work, and we approach each client as if your company were our own. In the end, we help you, be a better you.