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Thoughts and Observations on the Mortgage Industry

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matchbox consulting services - we speak mortgage...

The matchbox newsletter is back and better than ever. 2016 has been a busy year, and the first six months have been full of full of activity. We have been busy working with client engagements, building new products, and growing both matchbox and Ignite as companies. We miss sharing our commentary on the Mortgage Ops space and hope to be back writing to you on a consistent basis again. Thank you for reading, and we hope that you enjoy.

Global Macro: What 'Brexit' means for the mortgage industry

It has been a little over two weeks since Britain's historic decision to leave the European Union, and mortgage rates are reaching four-year lows as a result. The economic headwinds created by the decision have caused a flight to quality among investors pushing the yields of US treasuries down and in turn putting downward pressure on mortgage rates. Of course, these low rates should lead to an increase in volume for as long as they last. In an environment like this, it is important to make sure that you are properly staffed for a more robust pipeline, especially with many employees out of the office for much-needed summer vacations. There's no telling how long these low rates will last, and it may be years before the impact of Brexit on the global economy is fully realized, but for the time being we should make sure we are prepared for the increased demand.

TRID? Oh yeah, TRID...

Much of 2015 was dominated by the fear of the pending TRID regulation changes, and it was pretty bumpy for a few months after the changes finally went into effect in

October. Some companies fared better than others, but all felt some level of pain through the transition period. The first 60 days were dominated by discussions and gripes about document integrations and data not flowing to the proper spots. Overtime hours spiked in the Closing and Compliance areas, pipeline dwell times spiked, and there was some shock to the system that these changes were real and here to stay. But by November and December, owners and managers were back to bragging how their pipeline dwell times were either back to normal, or in many cases, better than they were before TRID. The CFPB finally gave some guidance on its status of providing a grace period, and all was well in the mortgage world again. All in all, it was a pretty painful change, but like always, mortgage companies rose to the occasion and stepped up to manage the changes. A lot of lessons were learned and positive changes made such as:

- Vendor risk exposure was fully realized as companies bore the brunt of their inefficiencies
- LOS and Document companies realized they cannot come late to the party any more
- Companies really got ahead of TRID and invested in training
- Disclosure desks became a common department
- Closing departments were revamped with CD Desks and became more efficient
- Secondary policies and procedures were tightened

So, while the changes were not easily absorbed, we made it through and are better off for it. Doesn't it sound weird now to even say GFE and HUD and how LE and CD gently roll off the tongue? Funny how we adjust. If nothing else, we proved we are resilient, which is good because new HMDA and 1003 changes are coming up which should be just as fun. I do think we will better off for them based on our TRID experiences.

#RIPtothechechecklist

So now that we have ruled out TRID as not solely taking down the industry, let's turn to something that can kill the industry (or at least continue to inflict harm), which is the checklist. All across the country, these departmental multi-page how-to manuals are causing havoc to workflows and loan profitability. Once started as a list of required items to complete on every loan or a list of exposure items that need to be double checked, these lists have grown to be procedural manuals that can be 2-5 pages long. It gets better - there are 3-5 page checklists for each loan program and department, and each checklist has 50-300 items that need to be checked and signed off on for EVERY LOAN. So let's do the math (being conservative and saying there are only 50 items per checklist):

- Disclosure checklist (50)
- Processing checklist (50)
- Underwriting checklist (50)
- QC checklist (50)
- Closing checklist (50)
- Funding checklist (50)
- Post Closing checklist (50)

On the low end, this is 350 items that are reviewed on every loan, and that's being conservative. How does anyone think this is a possible task? It is a lose-lose situation. There is very little chance that these items are being reviewed on every file, and if they are, then capacity per person is greatly diminished. The checklists have outlived their use. They have grown from a useful tool to a necessary evil of the operational process. If used at all, checklists should be limited to one page and exposure items. Many of the items listed are simple items that pertain to the function/department and should be covered in training. A processor should not have to check off that they ordered verifications, an underwriter should not have to check off that they calculated income, or verified DTI, etc. These are their responsibilities which should be clear and enforced via training. They should not need a how-to guide on every loan. There are common complaints about rising costs per loan and lower productivity per employee. My suggestion would be that if you want to improve both of these areas, I would start by eliminating the checklists.

Ignite has been busy creating some new products that can be seen in the attached link.

Also, check out some of our newer Ignite Tools:

Audit Explorer

Sandbox Tool

Loan Scenario Tool

Loan Validation Form

Ignite Doc Viewer

TRID Closing Calendar

Last but not least, make your TRID transition easier with the Ignite Data Flow Engine.

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