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Thoughts and Observations on the Mortgage Industry
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matchbox consulting services - we speak mortgage...

As summer comes to a close, it's an interesting time in New York. Both baseball teams (including my Mets) are playing games that mean something and optimism abounds for both football teams as the preseason rolls on. Along with football season getting ready to kickoff, we finally have TRID ready to make its impact on the mortgage industry. Even though it has been delayed there are still many unanswered questions and lenders are still asking what is everybody else doing? The implementation delay was much needed, but let's be honest, many lenders just put it on the back burner for another few months and have made little progress. With no connection to football and the Gridiron, we have developed the TRID GRID program to assist Encompass clients in the multiple aspects of the TRID implementation. We discuss the program in more detail below.

We also have seen a number of new direct response marketing divisions created this year. We talk about the differences and challenges involved with this model that many are not aware of. Have a good end of summer and enjoy Labor Day weekend as the rest of the year could be a bit bumpy. Heck, isn't the end of August supposed to bring quiet markets?

The TRID GRID

We have stated previously that although it has been promoted as a compliance change, we feel that TRID is more of a workflow change that will have an effect on all departments. As evidenced by many firms implementing disclosure desks and revamping their pre-closing process, TRID is requiring lenders to update workflows to support the new requirements. Who is responsible for what and when has been presented and questioned many times over and it touches all departments. It's a question of assigning responsibility and system controls/oversight. Want an example? Many lenders are changing from Loan Officers disclosing to the borrower to a Disclosure Desk managing the process. Others are changing from processors performing the change of circumstance to having the same Disclosure Desk responsible. Continuing down the line, Submission, Loan Opening, Underwriting, Pre Closing (a new department?), Secondary, Closing and Post Closing departments are and will be affected with the TRID changes.

In very simple terms, the TRID changes are not that radical. They are requiring that information sent to the client be accurate initially and not change in the future, without good reason for change. From a high level, the industry has been following this protocol for a number of years. The change, or shall we say challenge, becomes the time line(s) in which tasks need to be completed and with most people adding departments and changing responsibility, the origination process can be delayed. As the mortgage process is organic and relies on technology and workflow changes, the goals are simple, but the processes can be extremely cumbersome.

A big mistake too many lenders are making is spending a lot of time focusing on scenarios that do not occur too often and overlooking critical changes in workflow responsibilities. For instance:

- If a Loan Originator takes a better application, it becomes easier to manage the world of LE and CD.
- If a Loan Opener or Processor explains the 'needs letter' and exactly what is needed from a client, instead of just sending an e-mail it becomes easier to manage the world of LE and CD.
- If Underwriting is able to issue a commitment with seven conditions, instead of seventeen, it becomes easier to manage the world of LE and CD.
- If Closing can receive a file 72 hours before closing, instead of 72 minutes, it becomes easier to manage the world of LE and CD.

Hey, if everyone up the chain does a better job, then lenders should not struggle with updating disclosures, delayed closings due to CD issuance and absorbing extension fees right?

So you see, this TRID thing may not be so bad when fully implemented to all people with the proper message and training. To that end, matchbox has created the TRID GRID program, which is a comprehensive list of items that need to be reviewed, decided upon, and implemented within Encompass prior to the October 3, 2015 deadline. The GRID touches all departments and speaks to the coverage that is needed both from an operational and Encompass standpoint. It highlights the operational items that should be reviewed and discussed and the associated programming that is needed to be completed. If extensive reporting, programming, and business rules have not been developed and tested in UAT, October 3 is going to be a tight squeeze and the TRID GRID becomes essential. For lenders not on Encompass, the listed items and themes of the TRID GRID still hold true; it's just a matter of programming.

As previously mentioned, TRID brings operational and workflow updates that require require very tight controls and oversight. Contact us now to ensure your GRID is covered before we really need to strap on the helmets come October 3.

Call Center vs. Traditional Retail

We have seen a number of new Call Center divisions this year. The concept is to create a "new and improved" customer experience under a new brand and potentially improved pricing model. The thought is that a new origination outlet could provide additional volume and diversify product, marketing, geographic footprint and borrowers. A direct response/call center model is much different than the traditional realtor/referral based model and needs to be handled as such; especially on the operational side. The call center client usually has specific characteristics that affect the origination process differently.

- The client is usually speaking with other firms, so the follow up and interaction is going to be sporadic. Starting with origination, it should be determined how and what is the best method for follow up. They will not be as responsive as a referral based client. Their initial inquiry may have been just an inquiry and thus they may decide to not proceed. It is best to learn this as soon as possible. Immediate contact is critical.

- Based on the above, fall out is usually greater on a call center model which can equate to Operations working on more deals that are not closing, increasing the average cost to originate. A good interview should highlight all 'hooks' up front if possible as there will almost always be other items that pop up later in the process which will change the loan file. Call center clients will have less allegiance to the Loan Officer.

- If you are hedging, pull through assumptions need to be updated for the call center locks, as their fall out will likely be higher. These applications will also have less follow up (due to client lack of response) so you could face increased hedge costs on loans that are not closing and updated in a timely manner. Many of these locks will go to expiration without an update and fall off which is a direct expense.

- Unlike a referral-based client, the call center client is new to the company and brand and does not have an affiliation or knowledge of who you are - and they are most likely speaking to other firms who will be aggressive in follow up. Lenders have to stand out in customer interaction, so that they remember you when deciding on proceeding with the loan.

- Expect the unexpected. A call center application usually contains some unknown surprises that will only be revealed late in the process. Some clients withhold information, lacking the knowledge of what may be important to disclose; a poor application doesn't help. Others are just new to the mortgage process and will do something (open a credit card) that will affect the loan quality. Staying in touch with the client and advising them of what is needed is required more on this channel than on the referral-based channel.

- A call center model with improved pricing running alongside your referral model will ultimately create channel conflict with pricing differences. Be prepared for addressing this, as it will come up internally and even from the clients.

- Historically, call center models have been rooted deep in refinance activity which brings high sensitivity to market movements. While call center models focused on purchase business are growing, it's an even tougher model with real estate agents, attorneys, and possibly accountants promoting their own referrals. With high investments in marketing, the target demographic will change along with the loan purpose. The call center better be ready and conversion rates/marketing spends must be watched very closely.

The call center platform could be a very positive addition to your firm, but it could also be very expensive if not set up and supported in the correct fashion. We have a lot of experience in both models and are happy to work with lenders in highlighting the metrics to monitor and implementing the keys to success. Contact us today to discuss further.

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