

Optimizing the lender origination fulfillment process

How digitization drives speed, accuracy and intelligent automation

CGI



Overview

The extraordinary boost in mortgage production since 2020 has helped lenders achieve record levels of profitability. According to the Mortgage Bankers Association, lenders' origination volumes were estimated to reach more than \$3.99 trillion in 2021, driven by historically low interest rates.¹ The volume of loan originations during 2020-2021 has been at the highest levels in nearly 20 years, despite the challenges of the COVID-19 pandemic on the industry and consumers.

Today, as interest rates begin to climb, lenders foresee a return to a more “normal” housing market. The mortgage industry expects lower demand for refinance activity and a shift more toward purchase activity among borrowers. Lenders now face increased competition by newer technology-focused players and tighter margins, in which they must drive cost effectiveness to remain competitive. The need to reimagine business processes to increase speed to close and maximize operational efficiency has never been more urgent.

This paper explores how the combination of smart digital technology investments, the right partnerships and well-planned implementation strategies play a critical role in addressing the unique business challenges that mortgage lenders face. Adopting a holistic end-to-end approach with digital solutions that align to business goals is the most direct path to reducing inefficiencies and achieving greater processing speed, enhanced customer satisfaction and optimization across the loan origination process.



¹ “MBA Mortgage Finance Forecast,” Mortgage Bankers Association, March 21, 2022, [mba.org](https://www.mba.org)

Mortgage industry trends

Historically low interest rates over the last two years have made refinancing highly attractive; it has also resulted in a surge in home buying activity to meet pent-up demand, driving the need for consumer mortgages to record highs. As interest rates begin to rise, the mortgage industry anticipates refinance activity to cool down but demand from the purchase market to remain strong.



In a recent report from the Mortgage Bankers Association, the industry expects origination volumes to surpass \$2.5 trillion for each of the next three years.² This forecast illustrates the unprecedented boom of the mortgage industry, as it is at least 40% higher than the average annual originations between 2010-2019.³

In the midst of this surge, lenders have increasingly adopted technology solutions to streamline the loan process from front-to-backend operations, with the goal of meeting customers' expectations for a faster and easier process. Consumer demand for mortgages remains strong, and borrowers are more tech savvy with a growing preference for a speedy and seamless digital experience.

Recent research indicates that if a lender takes longer than 10 days to provide an application decision, a customer's satisfaction drops by about 15 percentage points.⁴ Thus, the pressure for faster loan decisions has become immense.



There are also other dynamic trends reshaping the mortgage industry. Many third-party technology and data providers along with next-generation outsourcers are gaining traction as they introduce digital-first solutions to streamline parts of the loan process. What's more, nonbank lenders are increasingly taking market share, mortgage lenders are starting to accelerate their offerings of non-QM loans as an alternative to agency mortgages, and companies are bundling mortgages into their home-buying services.

² "MBA Mortgage Finance Forecast," Mortgage Bankers Association, March 21, 2022, [mba.org](https://www.mba.org)

³ "Quarterly Mortgage Originations Estimates," Mortgage Bankers Association, October 2021, [mba.org](https://www.mba.org)

⁴ "Five Trends Reshaping the U.S. Home Mortgage Industry," McKinsey & Company, December 2021

Key lender challenges that impede optimization

With the current macroeconomic trends, mortgage lenders need to understand how to remain cost effective, lean and innovative. They need to reduce friction in their ecosystem—smoothing out process disruptions across different stages throughout the mortgage origination process.

However, the key challenges they face include:



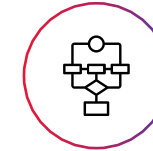
Significant change costs. Mortgage fulfillment processing is not streamlined due to siloed processes built on legacy business approaches and various point solutions that do not improve collaboration, increasing friction at every touchpoint. With such fragmentation, it is not easy to share data, documents and resolve issues throughout the loan process.



The inability for quick decisioning. As processes are siloed, the technology stacks that support the processes are also siloed, which affects speed and the ability to deliver quick decisions for customers. There are often many disparate players, in addition to slow and fragmented processes—making it difficult to quickly and efficiently drive decisions.



Labor-intensive, manual and paper-driven activities across the loan process. Many mortgage lenders still engage in manual “stare and compare” and repetitive check-the-checker tasks, executing steps that require multiple touches from operating personnel, which delays cycle times and are more prone to errors and miscommunications.



The inability to effectively prioritize loans. Mortgages are originated first in first out (FIFO) with little differentiation in how to process different types and/or risks of loans. This impacts the assignment of resources and the speed to close a loan from start to finish.

With much room for improvement, mortgage lenders must find ways to close the gap on operational process inefficiencies and establish leaner operating processes. It has become imperative to invest in the right technology and strategic partners to not only survive—but thrive—in today's quickly shifting mortgage lending landscape.



A digital solution built upon a holistic approach

Now is the opportunity for mortgage lenders to gain a competitive edge. Intelligent automation is an essential capability for maximizing efficiencies, which makes the implementation of digital solutions evermore critical as lenders seek to improve their end-to-end processes and boost profitability.

A digital solution with a holistic approach is paramount for addressing the key challenges that lenders face. Such a solution allows for the integration of key players in a mortgage process, including the realtor, home buyer, loan officer, third-party service providers and GSEs/secondary market, by automating data and document integration between players and minimizing “stare and compare” at every stage of the process.

While most of the technology innovations in mortgage lending have been focused on the front-end of the value chain, there is a real

opportunity for lenders to capture additional cost, labor and time savings by automating their mid-to-back-end business processes with intelligent automation.

A holistic approach provides perspective on the entire process and allows lenders to infuse data-driven intelligent automation at every possible stage of the loan origination process to maximize cost reductions, increase pull-through rates and enhance customer satisfaction.



Driving key business outcomes through a collaborative platform

The foundation for an effective digital solution lies in a collaborative technology platform. It enables lenders to automate tasks, facilitate collaboration and significantly accelerate time to close through the use of digital technologies such as data analytics, machine learning/artificial intelligence (ML/AI), digital verifications and virtual property inspections. In turn, automating manual tasks enables staff to focus on higher value initiatives such as resolving exceptions quickly and enhancing the customer experience.

Key benefits include:



Cost savings

With a collaborative platform, staff can focus on priority activities by automating mundane tasks, shorten origination fulfillment timelines by the use of ML/AI, and improve mortgage loan quality through digital verification and validation of borrower qualifications.



Revenue growth

With efficient straight-through processing, lenders can improve mortgage pull-through rates with minimal touch and leverage automation to quickly address exceptions and conditions, expediting cycle times. For instance, they can route loans to underwriters based on complexity and keep processors and underwriters aligned on satisfying loan conditions, improving productive capacity.



Improved customer experience

A collaborative digital platform provides the ability to deliver faster cycle times, automate issue resolution and provide a transparent, quick and easy mortgage process for increased customer retention and loyalty.



Performance benchmarking

Providing lenders with comparison data to peer group performance, an integrated platform enables best practices sharing through lender forums to enable continuous improvements. It also allows lenders to use predictive analytics to reduce risk and operational bottlenecks.

Driving key business outcomes through a collaborative platform

The financial impact of mortgage lenders adopting smart technology investments can be significant, with projected cost savings for lenders in the tens of millions of dollars based on lower operational costs and improved pull-through rates using such collaborative technology platforms.⁵

For example, an integrated digital technology platform like CGI AccuLender(patent pending) allows

mortgage lenders to leverage data analytics and machine learning/artificial intelligence (ML/AI) to drive straight-through processing, enabling quick data-driven decisions. It accelerates the tasks associated with processing, underwriting, closing and delivery and funding through automation—delivering speed and accuracy, and ultimately, positioning lenders to capitalize on the promise of digital technologies.

CGI forecasts that use of its integrated digital solution for mortgage lenders helps reduce both loan processing time and origination costs. It has been shown to shorten mortgage processing from 30 to 10 business days and lower operational costs by 20-50% through data-driven decisions in mid- and back-office origination fulfillment.⁶



A collaborative platform like CGI AccuLender integrates with existing investments and brings in ML/AI and data analytics to automate processes and inform lenders to make better, faster decisions.

⁵ CGI Analysis, August 2021

⁶ Source: CGI

Choosing the right partner for well-planned implementation

As the next step in the digital journey, choosing the right technology partner is a critical decision for mortgage lenders as they look to optimize their technology investments. To drive successful digital transformation outcomes, it is imperative that a partner offers a holistic solution approach and a deep understanding of how to integrate the latest technology tools and solutions with a mortgage lender's existing legacy investments.

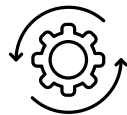
A partner's ability to leverage proven technologies and share industry and cross-industry best practices, as well as deep industry experience and expertise should also be deciding factors. These capabilities, coupled with significant systems integration and deployment experience, will play a key role in helping mortgage lenders develop well-planned implementation strategies in alignment with short- and long-term business goals.

Furthermore, the right partner can help develop a smart implementation strategy—one that includes a technology platform that provides responsiveness, flexibility and adaptability to allow mortgage lenders to leverage the best the industry has to offer now and into the future. A like-minded partner can assess the best path forward and help mortgage lenders adopt flexible technology that is scalable and structured for continued optimization for maximized efficiencies, enhanced customer satisfaction and increased market share.

According to a recent report by Freddie Mac, mortgage lenders that use a partner's digital offerings at higher rates tend to⁷:



Spend **\$2,200 less** per loan for operating costs



Reduce the production cycle **by five days**



Achieve margins that are **one percentage point higher**



Given the critical advantages of digital offerings, it is not surprising that technology spend and the adoption of digital tools among mortgage lenders is on the rise and is expected to continue increasing. They are exploring technology investment options with a greater focus on how digitization of the mortgage process delivers transactional ease, faster processing and cost savings.

⁷ "Cost to Originate Study: How Digital Offerings Impact Loan Production Costs," Freddie Mac, November 2021

The strategic opportunity for mortgage lenders to stay ahead

As the mortgage industry continues to shift, digital transformation is already setting apart top performing lenders from peers. Lenders that leverage the power of digital solutions holistically are best positioned to capitalize on data-driven processes and decisions. They can also deliver transparency across the process—from borrower application to loan funding—for optimized performance, high customer satisfaction and a sustainable competitive edge.

CGI believes now is the time for mortgage lending executives to carefully consider digital technology tools and offerings, along with a strong technology partner to develop the best strategy for their business. Adopting a holistic approach that enables intelligent automation will drive significant benefits for mortgage lenders, providing the foundation for long-term maximized performance and profitability.

To learn more about optimizing the mortgage lender origination fulfillment process, visit cgi.com/cgiacculender.

About CGI

Insights you can act on

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