IRON MOUNTAIN®

MORTGAGE & LOAN SOLUTIONS

JOURNEY TO DIGITAL MORTGAGE NIRVANA:

SURVIVE TO LEND ANOTHER DAY

Manual processes have been inherent to the mortgage ecosystem since the late 1800's and while there have been many innovations along the way, the business of buying and selling real estate and the need for financing has remained constant.

Burdensome manual dependencies and inefficient and disparate systems continue to weigh heavily on what should, considering current technology, be a digital industry with accelerating cycle times.

Lenders are navigating digital disruption in an effort to stay ahead of the competition, contain costs and capture market share. In an age of immediate gratification, consumers' on-demand lifestyles call for near real-time services. To that end, the industry has made considerable progress digitizing the customer experience at the point of application and prequalification – a sensible first step since improving the customer experience is the key to increasing business volume. However, once the digital application is received, many paper-based processes remain.

Only those lenders that can meet the growing expectations of this consumer-driven economy and address back office inefficiencies will survive to lend another day.

ROAD BLOCKS AHEAD

Mortgage lending continues to pose a complex records and information management challenge across the ecosystem. Some of these challenges include:

1. **Large loan files:** Each loan file could include up to 500 pages or more of documentation. While some documents are digital, many are physical. Managing a mix of formats scattered across different locations is a complicated undertaking, especially as lenders work to unify platforms and complete the digital transformation.

2. **Document and metadata validation requirements:** Quality assurance has been a preeminent concern since the mortgage crisis. Digitization can simultaneously increase efficiency and precision in the mortgage process.

3. **Accessibility of data:** Lenders need complete, readable and indexed information in their portfolios. Having this data will allow them to identify additional cross-sell opportunities such as home equity and student loans. It will also enable lenders to assess performance trends and facilitate servicing transfers.

4. **Complex regulatory and investor requirements:** Strict compliance standards require lenders to collect and manage an exhaustive amount of data and documentation. Nonetheless, lenders must still be able to respond quickly to audit requests with clean and well-organized files.

The fully digital mortgage is coming into view: a frictionless process for both consumers and lenders that encompasses origination through closing, secondary market transactions and servicing. In the future, document storage will be completely digitized. Furthermore, digital information will be used to:

> power sophisticated artificial intelligence technology that can simplify and improve the accuracy of back office processes

> deliver a new generation of portfolio analysis techniques

> generate marketing insights and opportunities across loan businesses

> automate manual processes reducing operational costs

MAPPING THE PATH OF LEAST RESISTANCE

To achieve a complete digital transformation, mortgage lenders need to:

> implement a centralized and integrated information system that can seamlessly manage paper records as processes shift toward electronic documents

> build on the new frontier of digital innovation such as artificial intelligence, machine learning and automation to streamline operations and advance insightful portfolio analysis through predictive analytics

> thoughtfully embrace digital technology partnerships to enable the digital journey

Indeed, the end state may be clear, but the journey is the hard part. Lenders are working in a hybrid environment, managing multiple processes and workflows, and bolting on new technologies as they make the transition from physical to digital.

A recent survey of mortgage professionals revealed what the industry has achieved so

84%
OF RESPONDENTS HOPE TO OFFER BORROWERS AN END-TO-END DIGITAL MORTGAGE WITHIN THE NEXT TWO YEARS.

far in its pursuit of digital perfection, factors that make this transformation so urgent, and barriers that still need to be overcome. Lenders desire nothing short of an end-to-end digital solution, but are still struggling with legacy processes and internal technology limits.

Mortgage lenders are under intense pressure to change the way they operate in order to compete effectively. However, margins have already been ground down by costly manual processes implemented to meet compliance requirements. Furthermore, per-loan costs are poised to climb higher still as origination volume drops. At the beginning of 2019, the Mortgage Bankers Association forecasted that production for the year would slip to 79% of a recent peak in 2016, and only recover to 85% of the peak by 2021.

More disruption awaits as new economy conglomerates like Amazon and Google explore entering the mortgage arena. Additionally, lenders strive to find their competitive edge by using advances in technology to streamline processes, enhance analytical capabilities, and improve the consistency, quality and interoperability of the information at their disposal.

Survey respondents attest to the speed at which they believe they need to accomplish this transformation. About 84% of respondents say they hope to offer borrowers an end-to-end digital mortgage within the next two years. Nearly 90% of survey respondents believe that an end-to-end digital mortgage transaction would enable borrowers to close their loan in less than three weeks. It's clear that the destination is nothing short of a completely digital mortgage.
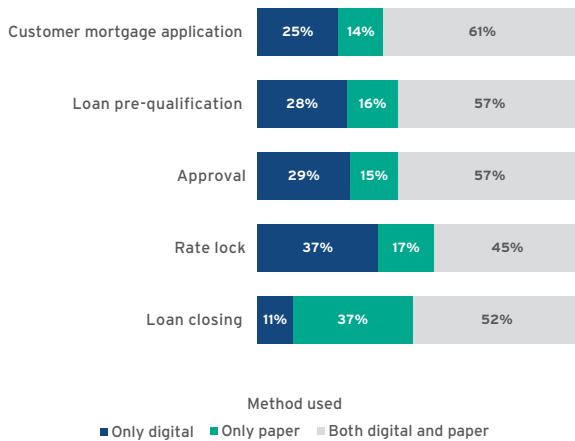
NAVIGATING THE ROAD AHEAD

While customer experience has been top of mind for many lenders when it comes to transformation, a fully digital mortgage process goes beyond customer interfaces and requires the implementation of a centralized repository for managing records and information. A robust system that maintains clean, well-organized files and data is essential for creating transparency and instilling trust among guarantors, investors, regulators and other lenders.

Despite the advances in technology, lenders continue to use paper documents in every stage of the origination process. For example, 61% of survey participants say document production includes both digital and paper during the application phase. Almost 90% say document production includes either only paper or both digital and paper at closing.

DOCUMENT PRODUCTION

	Only digital	Only paper	Both digital and paper
Customer mortgage application	25%	14%	61%
Loan pre-qualification	28%	16%	57%
Approval	29%	15%	57%
Rate lock	37%	17%	45%
Loan closing	11%	37%	52%

Method used
■ Only digital ■ Only paper ■ Both digital and paper

MORTGAGE FILES CONTAIN:

> non-standardized documents

> legal documents

> metadata

> data from multiple sources

> personally identifiable information

POTENTIAL SOLUTIONS TO CONSIDER INCLUDE:

> a unified system that can handle physical documents alongside digital ones

> secure storage

> imaging technology

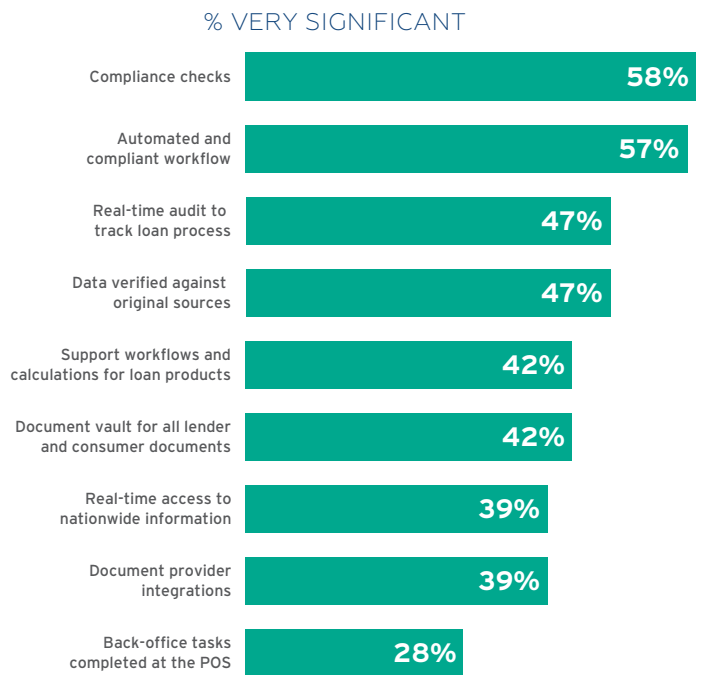> enhanced workflow utilizing digital information

Given that paper is still being used, mortgage files remain large. Many of these documents are not standardized, and documents and data enter the processing stream through a variety of sources. Lenders need a unified system that can handle physical documents alongside digital ones, store both securely, and, with the help of imaging and Optical Character Recognition (OCR) technology, automate document classification, data extraction, and data comparisons regardless of format.

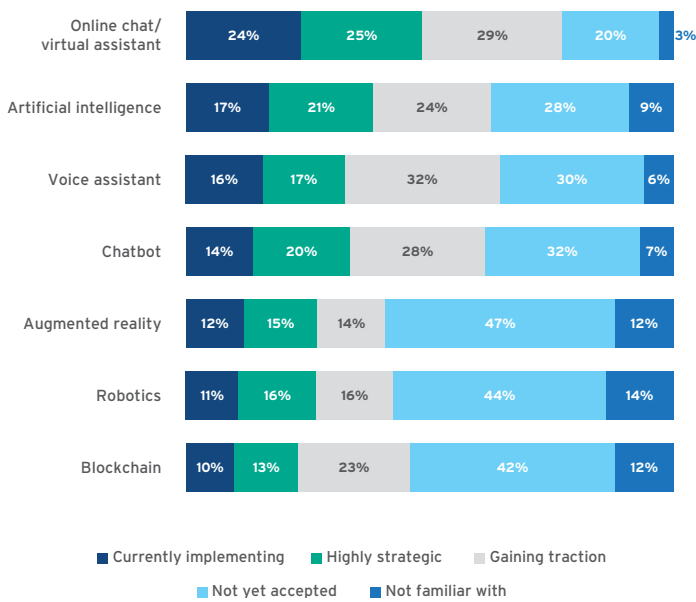According to a recent Fannie Mae "Mortgage Lender Sentiment Survey" focused on APIs and Mortgage Lending, 62% surveyed say Document Management and OCR is one of the top technology areas with the greatest potential to streamline business processes.

Before lenders can begin implementing these technologies and streamlining their business processes, they need an integrated and effective records and information management platform. This is the key to improving speed and accuracy, making sure data is accessible on demand, and complying with regulatory requirements, including those governing document retention. In fact, respondents to the survey cited automated workflows and verifications, centralized document vault, and real-time, universal access to information among the features most valued in a digital platform.

62%

SURVEYED SAY DOCUMENT MANAGEMENT AND OCR IS ONE OF THE TOP TECHNOLOGY AREAS WITH THE GREATEST POTENTIAL TO STREAMLINE BUSINESS PROCESSES.

% VERY SIGNIFICANT

Compliance checks	58%
Automated and compliant workflow	57%
Real-time audit to track loan process	47%
Data verified against original sources	47%
Support workflows and calculations for loan products	42%
Document vault for all lender and consumer documents	42%
Real-time access to nationwide information	39%
Document provider integrations	39%
Back-office tasks completed at the POS	28%

A unified, digitized repository also enables lenders to take advantage of artificial intelligence (AI) and other innovations to make processes more accurate and efficient, and unlock the power of the information they control. For example, AI can be used in portfolio analysis to assess risk, evaluate default exposure, and generate sales leads.

To that end, advanced technologies like AI are already making inroads across the industry, with 17% of lenders reporting that they are currently implementing AI, and another 45% describing the technology as "highly strategic" or "gaining traction".

Technology	Currently implementing	Highly strategic	Gaining traction	Not yet accepted	Not familiar with
Online chat/virtual assistant	24%	25%	29%	20%	3%
Artificial intelligence	17%	21%	24%	28%	9%
Voice assistant	16%	17%	32%	30%	6%
Chatbot	14%	20%	28%	32%	7%
Augmented reality	12%	15%	14%	47%	12%
Robotics	11%	16%	16%	44%	14%
Blockchain	10%	13%	23%	42%	12%

- Currently implementing
- Highly strategic
- Gaining traction
- Not yet accepted
- Not familiar with

ARRIVING AT YOUR DIGITAL DESTINATION

The ultimate goal of a completely digital mortgage is clear, but making the transition in a hybrid environment is challenging. Lenders need to assess their current systems, processes and capabilities as well as master a wide array of emerging technologies.

In order to achieve the mortgage of the future, they will need a partner who can help them build a state-of-the-art records and information management platform that can integrate paper documents and synthesize multiple sources of data as they work towards completing the digital transformation.

Growing consumer demand for online financial services and aggressive competition from innovative rivals has made digital transformation an urgent mission for mortgage companies.

Do you have the systems in place to ensure you will survive to lend another day?

WE PROTECT WHAT YOU VALUE MOST®

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