

# Modernize your mortgage lending platform





**Lending platform transformation makes the mortgage process more efficient and effective for the borrower, lender, and all closing parties.**

## Introduction

For many years, consumer banks have recognized the need to modernize their core lending platforms. This need deepened multifold since the onset of the COVID-19 pandemic with new and rapidly evolving customer expectations forcing banks to accelerate their transformation agendas. Customers across all age groups have become more sophisticated and competent in using digital tools and are demanding intuitive and personalized digital interactions from consumer banks.

### Current share of channel interactions with primary financial relationship

Calculated based on % frequency of usage across each channel

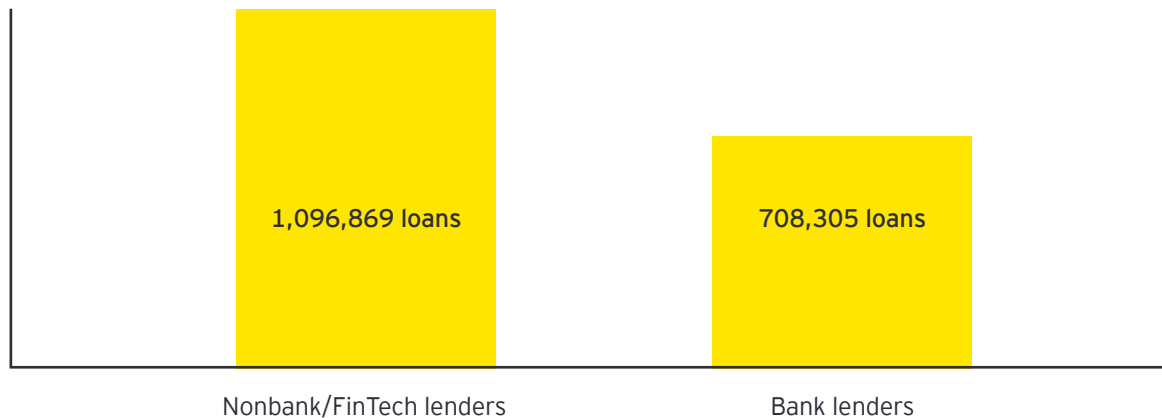
Channels	Age groups					
	18-24	25-34	35-44	45-54	55-64	65+
Mobile app	50%	44%	40%	36%	24%	18%
Website	23%	28%	34%	39%	46%	54%
ATM	12%	14%	13%	11%	12%	10%
Branch	10%	8%	8%	8%	12%	12%
Call center	7%	7%	7%	6%	7%	8%

In the modern era, borrowers expect a digital mortgage process that is transparent and user-friendly, with streamlined, secure data uploads and quick turn times. In addition, borrowers are demanding real-time notifications on their progress through the borrowing process. In a recent survey, 63% of consumers indicated their preference for using an online mortgage process over an in-person process, with 58% indicating that the availability of an online application impacts their lender selection.<sup>1</sup>

FinTechs and nonbanks have been able to capitalize on customer expectations for digitized lending experiences with seamless digital journeys and faster processing times supported by state-of-the-art technologies. Conversely, although some traditional banks have digital processes, many have yet to make the transition from offering paper-intensive, brick-and-mortar-based and relationship-driven transactional customer experiences, to digitized lending experiences. As a result, FinTechs and nonbanks are grabbing market share from traditional consumer banks.

<sup>1</sup> ICE Mortgage Technology 2021 survey of consumer sentiment

### Composition of top 10 mortgage originators by volume in 2022<sup>2</sup>



The gaining popularity of FinTechs and nonbanks is driving banks to modernize their consumer mortgage lending platforms from fragmented and labor-intensive processes to digitally enabled, data-driven, holistic mortgage borrowing experiences. In addition to meeting growing customer expectations and bolstering competitiveness, lending-platform modernization can help banks hindered by legacy technology reduce their technology spend. For example, large banks' average technology spend for closed mortgages is four times that of nonbanks.<sup>3</sup>

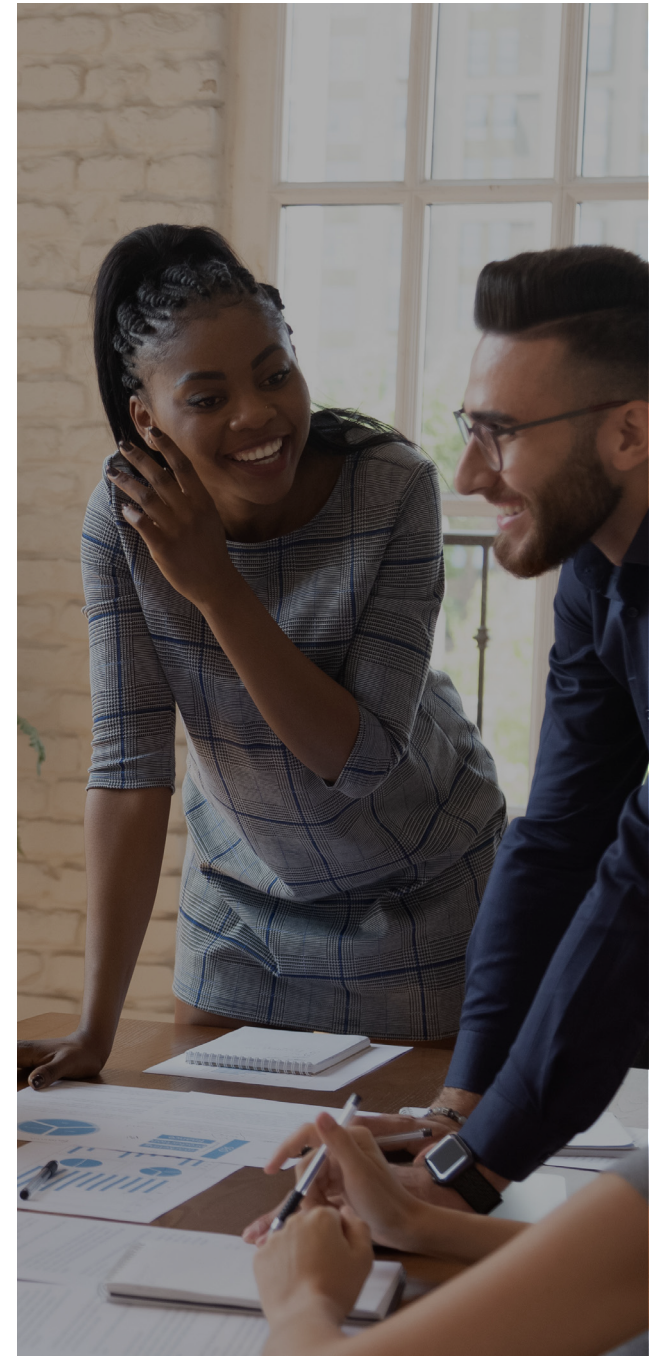
Given that the industry is currently grappling with higher interest rates and lower origination volumes, the opportunity is ripe to make strategic investments in platform modernization to be ready for the next market rally.

Several of the top lenders have set aside investments or recently initiated projects to modernize mortgage lending platforms.<sup>4</sup>

<sup>2</sup> EY analysis of Home Mortgage Disclosure Act data, April 2023

<sup>3</sup> "The Large Bank Mortgage Banking Profitability Conundrum," STRATMOR Group, June 2019

<sup>4</sup> EY analysis



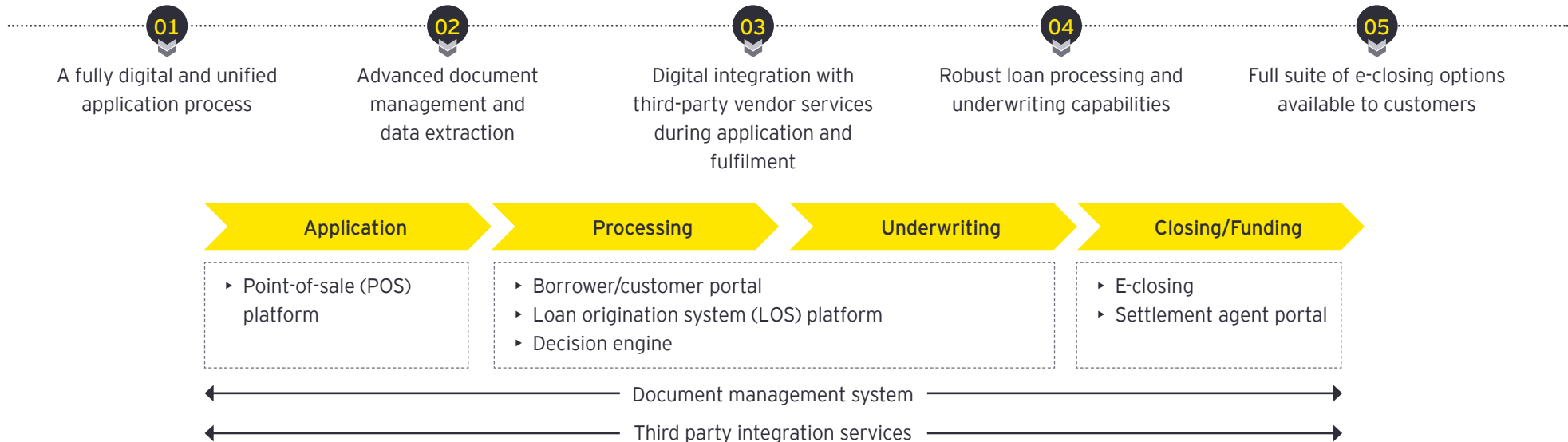
Banks need to modernize now. Not doing so only perpetuates the highly ineffective boom-and-bust cycles of the past embodied by sustaining and surviving during an economic downturn, rapidly increasing headcount as the market rebounds, and then managing through a prolonged period of operational constraints, poor customer experiences and lost revenue opportunities.

The concept of a lending platform has fundamentally evolved, including the definition, core capabilities, and interaction with other systems across the lending value chain. Investing in platform modernization doesn't just optimize positioning for the next market upturn – it establishes an infrastructure and framework that can flex with the market, creating long-term sustainability and dependable operational efficiency.

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Key components of a modern lending platform include:





## Platform modernization benefits

From application to e-closing, the following are examples of current gaps that exist with a traditional lending process in contrast to the improved target state that results from lending-platform modernization:

**Loan application:** Easy-to-execute processes, clear next steps and effective customer engagement can help drive an efficient transition to loan fulfillment and set the stage for a positive customer journey.

### Application: Traditional vs. modernized mortgage lending platform

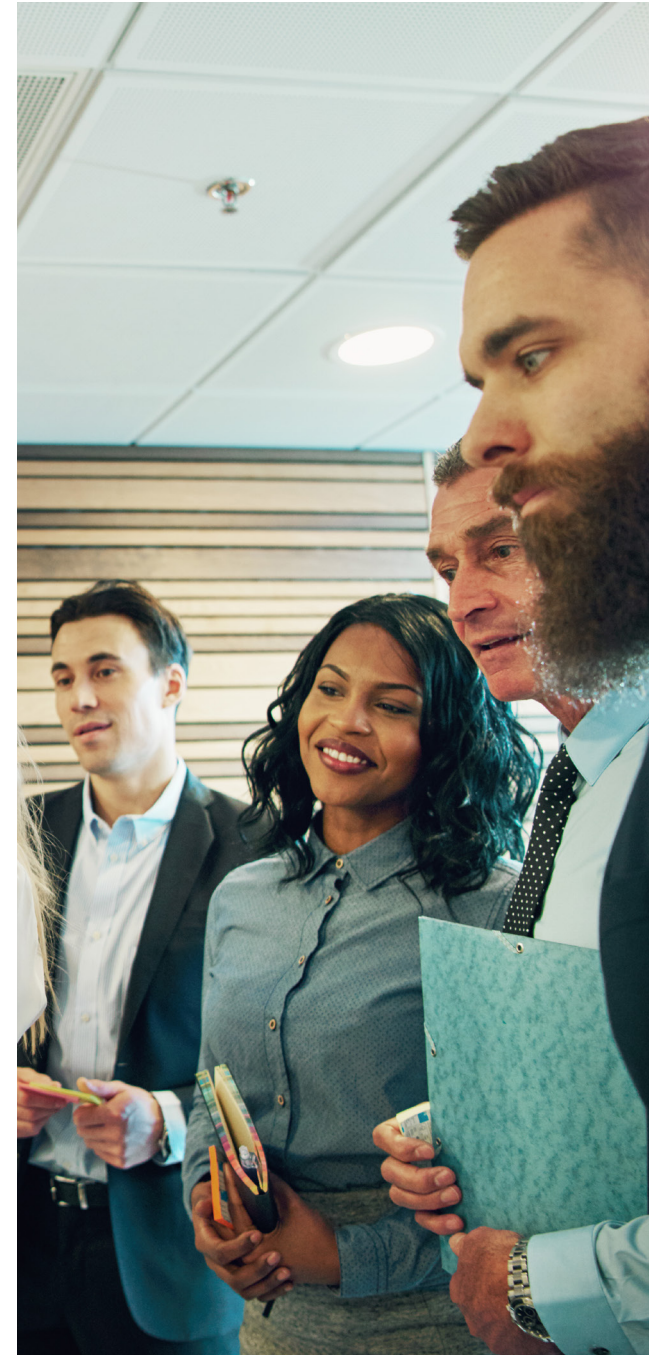
Current gaps	Improved target state
<ul style="list-style-type: none"> <li>▶ Application process friction and substandard customer experience across channels</li> <li>▶ Existing customers are required to input data that is known to the lender</li> <li>▶ Existing customers are required to share documents that are available to the lender</li> <li>▶ Requests include either the bare minimum of information or too much information</li> <li>▶ Lack of process transparency</li> <li>▶ Documents come in and are not reviewed</li> </ul>	<ul style="list-style-type: none"> <li>▶ An intuitive application flow that is easy to fill out, digitally available 24x7, supports start/stop activity and device switching, and provides chat support and a live-person transfer option</li> <li>▶ Prefilled existing customer data</li> <li>▶ Automatically pulls “in-house” documents into the loan origination system (LOS), does not prompt or condition the borrower to provide</li> <li>▶ Utilizing automation and trusted data to complete verifications in the application process can eliminate post-submission processing steps and can be done with no impact to the customer experience</li> <li>▶ Dynamic customer portals, automated nudging, configurable notifications and alerts</li> <li>▶ Auto task creation and user alerts, systemic evidence that documents received have been reviewed and actioned</li> </ul>



**Loan processing:** Use technology and trusted data sources to reduce the need for borrower-provided information, quickly satisfy conditions, resolve issues, and create an electronic loan file that is easy to underwrite.

### Processing: Traditional vs. modernized mortgage lending platform

Current gaps	Improved target state
<ul style="list-style-type: none"> <li>▶ Manual indexing of incoming documents</li> <li>▶ Limited ability to collect and analyze document data</li> <li>▶ Document data is rekeyed into the LOS</li> <li>▶ Insufficient audit trail</li> <li>▶ Hard-to-navigate documents repository</li> <li>▶ Unintuitive updates pushed to the portal that do not inform borrowers or drive desired action</li> </ul>	<ul style="list-style-type: none"> <li>▶ &gt;90% of standard documents accurately identified and auto-indexed</li> <li>▶ Document data utilized to build customer insights and business intelligence</li> <li>▶ Systemic extraction of structured data, auto-populate fields/screens, trigger workflow and automate calculations</li> <li>▶ Full history of document lifecycle including what version was used to satisfy conditions and who reviewed it</li> <li>▶ Intuitive files and folder structure, ability to associate documents with conditions, link documents with screens and fields</li> <li>▶ Direct value-added alerts and prompts in customer-friendly language, delivered via method of choice (email, text, phone, etc.)</li> </ul>





**Loan underwriting:** Perfect the use of data, automation and tools to speed decisioning, resolve escalations, improve quality and reduce risk.

### Underwriting: Traditional vs. modernized mortgage lending platform

Current gaps	Improved target state
<ul style="list-style-type: none"> <li>▶ Redundancy between processing and underwriting roles in areas of data/ document review and associated conditions management</li> <li>▶ Critical dependency on image review and manual analysis to manage conditions</li> <li>▶ Human “whole loan” review requirements slow down the decisioning process</li> <li>▶ Inability to accelerate through the process when a loan is ultra-low risk</li> <li>▶ Exception handling breaks the workflow and creates bottlenecks</li> <li>▶ Limited use of third-party integrations for underwriting</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review data/documents one time, bifurcate condition-clearing authority without increasing risk</li> <li>▶ Decision engines validate the data within the LOS and unlock data in trusted internal systems, third-party systems data is leveraged instead of documents – converts the information of record from an image to structured data</li> <li>▶ A decision engine scores each data item and routes to the loan processor when not sufficient at the item level, or when too many issues are identified. In parallel, the decision engine scores the full loan package and presents focused findings – the underwriter would have the data, the validation information and the score to make their decision</li> <li>▶ True straight-through processing capability, driven by trusted data, with controls and monitoring that can “off ramp” loans when issues or exceptions occur and reroute loans with resolved issues back to the fast path</li> <li>▶ Predictive and detective controls identify exceptions early and route loans to an empowered person/ role whose skills align to the level of severity and complexity</li> <li>▶ Strategic third-party integrations for enhanced underwriting capabilities (e.g., verifications, credit analysis)</li> </ul>



**E-closing:** Meet the customer where they are by offering all allowable options for closing and settlement; meeting and exceeding expectations in this area is necessary for positive surveys and net promoter scores.

### E-closing: Traditional vs. modernized mortgage lending platform

Current gaps	Improved target state
<ul style="list-style-type: none"> <li>▶ Limited closing options that fail to meet customer expectations – ink only</li> <li>▶ Email and phone collaboration with settlement agents that is inefficient and prone to errors</li> <li>▶ Traditional recording with the associated wait times</li> <li>▶ Closing, funding and recording processes are not always transparent to the customer, settlement agent and lender</li> </ul>	<ul style="list-style-type: none"> <li>▶ Full suite of options that allows customers to choose, including options for electronic settlement and notarization when available, or ink and hybrid</li> <li>▶ Triparty collaboration portal available to the borrower, lender and settlement agent, integrated with the LOS. Real-time information sharing with the closing parties, reduces errors and delays, and securely stores documents</li> <li>▶ E-recording – currently supported in over 75% of US counties</li> <li>▶ All parties can be notified electronically throughout the closing process</li> </ul>

## Conclusion

With origination costs soaring and customer expectations for personalized service and digital experiences increasing, the time to modernize is now. Lenders that fail to do so and continue to maintain antiquated or suboptimized mortgage lending platforms will continue to face substantial pressure in the areas of competitive growth, customer experience and operational excellence. On the other hand, lenders that make strategic investments towards modernizing their mortgage lending platforms will gain efficiencies (shorter cycle times, better first-time-right processing, etc.), leading to better customer experiences that can drive business growth.





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