

Case Study: Banking

Mortgage lender reduces cost per loan by 20%

A leading full-service mortgage lender integrates a direct to underwriting team to improve its pull-through rate and overall efficiency.

When a leading US mortgage lender and direct agency seller wanted to optimize its loan closing time within its retail and wholesale underwriting channels, it created a plan to maximize the underwriting process. The company engaged Cognizant to implement a process redesign that included moving pre-underwriting to a shared offshore service center staffed with a direct to underwriting (DTU) team.

The challenge

A mortgage lending client was looking to optimize loan closing time within its retail and wholesale underwriting channels. The company also wanted to reduce operating costs, lower cycle time and improve pull-through rates.

While initial underwriting approval typically takes 72 hours from when the loan is submitted, this process can take longer if the processor submits incorrect or incomplete documentation to the underwriter. Traditionally, an underwriter reviews each document in the package, whether it is needed for loan approval or not, and these extra reviews can potentially increase denial rate and decrease loan processing efficiency.

At a glance

A leading US mortgage lender was looking to improve the pull-through rate and overall productivity of its loan origination process. To do this, the company engaged Cognizant to implement a process redesign, moving pre-underwriting to a shared offshore service center with a DTU team. As a result of this engagement, the mortgage lender achieved the following benefits:

- Lowered cost per loan by 20% YOY
- Decreased file touch from 3.8 times to 2.6, moving loans through the pipeline faster with 99.8% accuracy
- Increased file submissions to underwriters by 76%
- Improved final approval cycle time by 37%
- Reduced suspended file volume by 77%

To streamline the loan origination process and optimize closing time, the mortgage lender wanted to:

- Standardize documents to curate and submit a complete, clean package for the underwriter to review
- Update the current manual process of tracking loan status in Microsoft SharePoint to a collaborative web-based tool with an automated queue
- Maximize underwriting efficiency to optimize other downstream processes
- Reduce cost per loan
- Lower cycle time

The processor's lack of clarity around documentation requirements posed another challenge. For example, if an applicant submits only one paystub and it isn't dated within 30 days of the application, then the underwriting team must go back and ask the processor for the correct documents. The request extends the timeline and causes delays. This scenario pointed to the lender's need for greater consistency in overall documentation exchange and management.

Determined to solve these challenges, the company engaged long-term strategic services partner Cognizant to help implement a solution that would position it for loan processing success.

The approach

To optimize the company's loan closing time within its retail and wholesale underwriting channels, Cognizant conducted a detailed due diligence review to identify bottlenecks in the loan processing pipeline. Upon further evaluation, we suggested a process redesign to move the pre-underwriting process to a DTU team at one of our shared offshore centers. After the lender agreed to our initial proposal, we began a test project with only six FTEs. Then, after reviewing the program's overall success, we extended the work to a full-time process.

A standardized 24x7 checkpoint

In coordination with the loan processing team, the DTU team serves as a standardized 24x7 checkpoint to ensure each loan file includes the correct documents before it goes to an underwriter for review. The DTU team eliminates ambiguity for the processor by creating automated sheets with written descriptions of the purpose and use case for each loan document. Before submitting a final package, the DTU team:

- Reviews documents and updates conditions for discrepancies
- Orders third-party services, such as title reports, flood certificates and hazard insurance
- Completes the document PO and updates vendor details to ensure accuracy before requesting third-party documents
- Reviews the credit package, if available, and submits the file to an underwriter for decision-making

This standardized review ensures underwriters receive correct and complete loan packages, decreasing the denial rate from incorrect or incomplete package documents and the number of times each file is handled throughout the closing process.

Loan process automation

To streamline the pipeline, the DTU team works exclusively on live loans. An automated workflow tool enables the lender to track status and identify high priority and rush loans without losing closing times.

As a result, the company improved efficiency and turnaround time for each loan, providing high-quality lending services to each customer.

Business outcomes

Cognizant provided value to our client throughout the service period by ensuring all available loan documentation was complete, accurate and verified by the DTU team before submitting files to an underwriter.

The new, improved productivity and overall efficiency of the loan origination process increased the final approval cycle time by 37%. What's more, our client has realized its vision of optimizing loan closing time within retail and wholesale channels.

Moving loans through faster

The DTU team moves loans through the pipeline faster by providing 24-hour coverage over four shifts each business day. The team also monitors hourly mortgage origination trends. Currently, the DTU team processes over 18,000 loans via more than 150 FTEs handling business across all 50 states. This metric marks a significant jump from the initial 720 loans processed per month before the implementation.

By coordinating with a DTU team and eliminating unnecessary documents from loan files, the lender reduces review time for underwriters and its loan

turnaround time. This has not only increased the loan approval rate by 28% YOY but also decreased the cost per loan by 20% YOY.

Decreasing the number of times each loan is touched during the underwriting process from 3.8 to 2.6 helps the lender deliver loans with 99.8% accuracy, exceeding the company's 98% expectation.

As a leading national mortgage lender, the company continuously strives to optimize closing time for its customers. The DTU team at our shared offshore center helps make this goal a reality while enabling the lender to remain an industry leader amid a pandemic—and beyond.

About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 185 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us [@Cognizant](https://twitter.com/Cognizant).



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