The Path Ahead for Mortgage Digitisation

Digitisation is set to transform the mortgage industry by addressing issues ranging from customer experience, asset quality and risk, and regulatory compliance to efficiency and cost containment. Lenders must forge a path to digitisation or risk becoming irrelevant.

Executive Summary

Within the next five years, digital sales have the potential to account for 40%-plus of new inflow revenue in the most progressive geographies and customer segments. By 2018, banks in Scandinavia, the United Kingdom, and Western Europe are forecast to have half or more of new inflow revenue in most products coming from digital sales.

Digitisation looks set to change the business as much as the recent regulatory reforms did. It can potentially address all of the major challenges that mortgage executives face, such as regulatory compliance, customer experience, asset quality and risk, efficiency and cost containment. Organisations that do not formulate a comprehensive digital strategy risk losing business to competitors.

This paper provides a technology-focused, detailed path for mortgage digitisation. It addresses current challenges, as well as the enabling technology needed to seize and solve emerging opportunities.
Digitisation allows lenders to further automate compliance processes and remove manual interference. For instance, enhanced digitisation of the MMR, MCOB and MCD reporting processes will more effectively automate the review, leading to lower error rates with fewer resources.

**HOW DIGITISATION CAN BENEFIT MORTGAGE LENDERS**

Mortgage lenders face a variety of challenges (see below). A fully digitised mortgage process can help to resolve some of these challenges by providing significant value across the spectrum of lender goals, risks and needs. Each organisation will require a tailored approach based upon the enterprise’s level of digital maturity. A thorough digital assessment will focus on all dimensions of value across regulatory compliance, customer experience, asset quality and efficiency.

- **Regulatory compliance:** Regulators are monitoring almost every aspect of mortgage acquisition and servicing. Mortgage lenders have no choice but to be compliant not just because of huge penalties but also due to reputation risk. The recent compliance guidelines include Mortgage Conduct of Business (MCOB), Mortgage Market Review (MMR2) and European Mortgage Credit Directive (MCD).

  » **The case for digitisation:** Digitisation allows lenders to further automate compliance processes and remove manual interference. For instance, enhanced digitisation of the MMR, MCOB and MCD reporting processes will more effectively automate the review, leading to lower error rates with fewer resources.

- **Customer experience:** Competing only on products and services is no longer enough. How a company delivers on its experience is becoming more important than what it delivers. According to the Walker study, ‘Customers 2020: A Progress Report’, customer experience will overtake product and pricing as a key brand differentiator. A focus on customer experience improves customer satisfaction, customer retention, brand value and, ultimately, sales. Within mortgage lending, significant improvements are possible in moving customers to digital channels and enabling more self-service options (mobile, web, etc.). The mortgage market primarily leverages a phone-centric engagement model that forces customers to speak to mortgage advisors to initiate almost all the required or meaningful lending activities. While this engagement channel may be ideal for some consumers, a growing population of consumers is looking for more self-service options that do not require telephone interactions.

  The Global Contact Centre’s 2016 benchmarking report highlights this point: ‘For customers aged 55 and older, the telephone is the predominant channel of choice for upwards of 87.0%. However, that number falls quite dramatically to just 51.7% for customers aged 35–54 years. It will soon become a minority, as this group too follows the younger age groupings in preferring the immediacy and convenience of digital channels to traditional phone services.’
Digitisation allows for an individualised customer-focused experience, with improved engagement that is often expected but rarely delivered when shopping for personal financial services products such as mortgages.

**The case for digitisation:** Digitisation allows for an individualised customer-focused experience, with improved engagement that is often expected but rarely delivered when shopping for personal financial services products such as mortgages. In addition, younger generations often prefer digital technology as a self-service tool to meet their needs. The self-service experience will need to quickly move away from a laundry list approach for the customer to fulfill documentation needs and move to a more collaborative and engaging model where information will be exchanged and shared rather than simply supplied by the consumer. The direct sourcing of supporting documentation will become the new normal for first attempts at securing essential information.

Additionally, the actors within the process should become active participants in segments of the transaction rather than all information being requested and sourced solely through the borrower alone. Participation of estate agents, home insurance providers, valuers and other players will become more collaborative and instantaneous. Moving from phone and email collaboration to other means enables more controlled and clear communication and cooperation. The primary focus should be to minimise the impact on the customer without sacrificing loan quality and compliance.

We are seeing great steps in this direction with the recent announcements from the UK government through Competition and Market Authority (CMA), which aims to push open banking to put more control in customers’ hands.

**Intermediary relationship:** Intermediary businesses have invested in digital capabilities to further improve customer journeys and internal operational efficiency. With over two-thirds of UK mortgages originating from intermediaries, lenders have continued to improve the way they interact with these businesses. For example, online decisions in principle, case tracking and scan and attach document upload are now standard². Intermediaries and lenders alike plan to continue improving their ability to share information digitally.

**The case for digitisation:** There is a greater emphasis on customer retention by maintaining customer relationships after completion. Intermediaries’ ideal interaction with a lender would be the path of least resistance, where they can obtain the best and quickest decision for their customer. Digital mortgage will have to have a positive impact on lender-to-intermediary interaction. For that investment in digital, changes will be needed, including making the process easier, automating the exchange of data (enabled by technologies like application programming interfaces [APIs] and...
Digital mortgage will have to have a positive impact on lender-to-intermediary interaction. For that investment in digital, changes will be needed, including making the process easier, automating the exchange of data ... and further improving transparency around case progression, information requests and decisions.

- **Asset quality and risk:** In the shadows of the mortgage crisis that caused tens of billions of dollars in losses for investors, little has been done to improve asset quality. Traditional processes, controls and loan origination system (LOS) platforms that were in effect prior to the crisis are still in place with limited improvements. A deeper level of accuracy, trust, integration and transparency is required in the lending market to minimise the risk of reoccurrence of massive default rates.

- **Efficiency and cost:** Due to increased regulatory oversight, cost-to-income ratios rose by 1%, reaching an average of 64%, indicating banks were struggling to significantly reduce costs, despite austerity measures. This substantial rise in costs is due to the reliance on people to perform most of the functions within the process. Furthermore, due to the higher error rate of manual processes, lenders are forced to insert double and triple reviews within the process. This process is both costly and time-consuming, and creates uncertainty for the customer.

- **The case for digitisation:** A fully digitised mortgage process allows for expanded automation of underwriting, processing, closing and funding. For instance, within processing, open banking data may be leveraged to auto-calculate income ratios and cross reference with HMRC data. The same can be applied to almost all verification points within the process (asset verification, collateral valuation, credit review, etc.). Benefits realised include improvements in processing timeframes and better use of processing and underwriting resources. With fewer defects, asset quality will improve.

- **The case for digitisation:** Back-office improvements can only come from changing the way the process is managed. It requires moving away from people-based processes to digital processes and expanding the data model to not simply facilitate key aggregate values, but to collect and process the metadata that drives the process decisions. Once the processes are elevated to this level, true automation and exception management can be realised that not only reduces processing times and costs, but also creates a much more engaging and predictive customer experience. The improvements realised through digitisation and the benefits in compliance, customer experience, asset quality and efficiencies lead to a more streamlined and less expensive mortgage
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process. In the prior example of how digitisation of income calculation can enhance processing through increased automation, the improvements noted will likely contribute to a decrease in turnaround times and an increased speed to close the loan. In addition, cost savings may be further enhanced through a rebalancing of processing staff.

WHAT CUSTOMERS WANT

Looking to the future, customers want a variety of things from their mortgage process. One clear need is for a choice of interaction methods: two in five customers want to interact over a blend of physical and digital channels⁴.

The challenge before mortgage lenders and servicers is to bridge the gap between current systems and platforms and the ease of use of customer-centric systems and features that are already the norm in other industries. Consumers can now download a movie to their phone, unlock their house with their phone and order food and clothing online without ever dealing with a cashier or customer sales/service representative.

The same can be provided to the mortgage buyers:

- Make the journey as easy as possible.
- Provide an opti-channel to engage customers through the journey.
- Enable a greater use of data, and share data with the customer.
- Ensure that customers get the best available choice.
- Provide better transparency and faster decisions.

So how does a bank make this transition? In order to bring the industry into the digital future state, an understanding of the current state is a requisite. The gaps will quickly be identified and an approach to digitise the process for mortgage lenders and servicers can be developed.

Current Capabilities of Leading Lenders

The borrower engagement approach of today’s leading lenders is disparate and not truly ‘digital’. In the UK mortgage market, intermediaries still control 62% of market share⁵.

Customers are able to initiate the loan application process with intermediaries or the bank’s online point of sale (POS) platform or interface but, in most cases, the document collection and additional borrower information is obtained via other channels: call contact, email, portal connections, etc. The mortgage banking industry will need to invest in digital offerings and technologies to improve the loan origination process and the customer experience.
WHAT IS MORTGAGE DIGITISATION?

The best way to describe mortgage digitisation is to understand its characteristics, as follows:

- **Processes/tech transformation:** Digitisation helps transform non-customer-facing processes for efficiency and effectiveness. It also facilitates transformation of technology related to the customer experience. For example, reduce cost of operations by digitising processes related to regulatory compliance. (To learn more, read ‘Embracing Digital Convergence amid Regulatory-Driven Overhauls’.)

- **Deep insights into customer needs:** Digitisation allows banks to more effectively target their customers with relevant and thoughtful services at the appropriate moment. For example, leverage the opportunity that open banking presents to enhance the customer experience.

- **Innovative products and services:** Inherent in digitisation is innovation, which supports a redesign of products and services based on customer research, segmentation and analysis. For example, create an intermediary portal to automate support customers.

- **Personalised and stellar experience:** Digitisation provides a consistent, convenient and synchronous customer experience through all channels of interaction and across all devices. For example, target the right products to improve asset quality.

- **Business model disruption and innovation:** Digitisation is a business disrupter that is prompting lenders to adopt new business models, digital products, pricing and packaging to meet customer needs. For example, create a marketplace to leverage open banking, third-party suppliers and fintechs.

Banks that are successful in meeting these digital characteristics will emerge as industry leaders or at a minimum remain relevant in the mortgage industry. Organisations that are unwilling to embrace these changes risk potential failure in the mortgage market.
**Digital Mortgage Maturity Curve**

An organisation that fully embraces digital processes will demonstrate maturity in its programme capabilities and execution. Successful organisations will deploy a customer-centric model that allows for flexibility when customer behaviours and expectations change (e.g., how and when to be engaged, enhancements in personal technology [e.g., mobile phones, tablets], multichannel preferences, etc.).

Leaders in the area are characterised by qualities such as team structuring, customer journey maps, project management experience, and capabilities such as organisation agility, process innovation, and sophisticated design and technology architecture. Below is a list of traits, segmented by programme capabilities and execution, displayed by successful organisations with mature digital mortgage strategies.

**Capabilities**

- **Organisational agility:** Organisations with a nimble operating model and agile methodologies will be better equipped with the flexibility to adapt their digital strategies as programmes, customer behaviours and technologies change.

- **Process digitisation/innovation:** The progression towards a fully digitised mortgage process requires a fresh perspective obtained via process reengineering in order to simplify and redefine convenience.

- **Technology and architecture:** A flexible, agile, contemporary architecture/framework is required for complete digitisation.

- **Data and analytics:** Data and analytical capabilities that predict and meet needs are essential for adjusting digitisation strategies in real time.

- **Experience design:** Designing a stellar customer experience across all channels is a key element of success. A focus on the customer experience will allow for differentiation from competitors.

**Execution**

- **Team structure and skills:** At the peak of the digital mortgage maturity curve, the organisation will maintain team structures with a complementary mix of skills and defined roles to execute on projects.

- **Customer segmentation:** Digitisation equips lenders with the tools to gain a deeper understanding of the customer and their needs and wants.

- **Customer journey maps:** Customer needs are supported through a deeper understanding of their preferred interactions via the development of journey maps.

- **Multichannel approach:** Multiple modes of communication (e.g., text message, email, etc.) allow customers the flexibility to use features how/when/where they want.

- **Customer offer and service orchestration:** Personalisation is further advanced by providing borrowers with the capabilities for mass customisation.

- **Project execution:** Programme management and governance that thrive on digitisation will be able to deliver long-term sustainability and demonstrate an understanding of technology-enabled business change.

Although the capabilities and execution traits listed above are the foundations for success, the industry is still evolving and the customer segmentation journey is not yet mature.
The Path to Customer Delight

**Personalised Customer Experience:**
- Experienced team with complementary skills across design, delivery and execution.
- Advanced segmentation (demo, income, community, location, transactional behaviour, nonbanking profiles).
- View of profiles, personas and segments, and content for customer journeys.
- Some service-offer orchestration based on consumer preferences and habits.
- Dedicated, specialised process digitisation team.
- Integrated analytics for service orchestration for mass personalisation.
- Expert design team integrated with tech delivery.

**May Create Functional/Useful Solution:**
- Basic team in place with typical software experience.
- Anecdotal customer journey maps and segmentation.
- Basic multichannel approach.
- No offer and service orchestration.
- No dedicated team for process reengineering.
- No setup for data and analytics.
- No specialised team for experience design.

**Desirable Customer Experience:**
- Team with some digital skills for design and execution.
- Enhanced segmentation (demo, income, location, transactional behaviour).
- Anecdotal customer journey maps/segmentation.
- Basic multichannel approach with channel/feature view.
- No offer and service orchestration.
- Process reengineering/digitisation done by the same business team.
- Basic data and analytics infrastructure setup but no dedicated team.
- Basic experience design team.

**Customer Delight:**
- Dedicated team with complementary skills across design, delivery and execution.
- Advanced segmentation (demo, income, community, affinity, location, transactional behaviour, fatigue, nonbanking profiles).
- Central view of profiles, personas and segments, and content for customer journeys.
- Service-offer orchestration based on consumer preferences and habits.
- Dedicated, specialised process digitisation team.
- Real-time integrated analytics for service orchestration for mass personalisation.
- Expert experience design team integrated with tech delivery.
As depicted in Figure 2 (previous page), the four-part path to customer delight leads the borrower towards a fully personalised customer experience. The first stage is competitive lag, in which the organisation maintains the most basic digital processes with no or very limited resources (e.g., dedicated process engineering team) focused on the customer experience.

Competitive parity, the second stage, is reached once the organisation incorporates the use of customer journey mapping with enhanced segmentation (e.g., by demographics, income, location, transactional behaviour, etc.) to its workflow across the delivery and servicing of the mortgage product.

The next stage, competitive advantage, is characterised by an increased focus on the customer experience, with advanced segmentation, and more personalised customer journey maps, with a significant emphasis on connecting with customers and improving the customer experience at all stages of the product lifecycle — origination, closing, servicing, asset disposition, etc.

At the peak of the maturity curve is competitive leadership. Organisations at this level are characterised by dedicated teams with complementary skills across design, delivery and excellence. The most advanced customer segmentation is maintained, with profiles that include both financial and nonfinancial customer data not typically captured in today’s standard systems, along with a centralised view of profiles, personas and segments, and content for customer journeys. At this level, the service offerings’ composition considers customer preferences and habits and real-time integrated analytics for mass personalisation. An experienced design team integrated in the technology delivery of the product and service is evident.

THE JOURNEY FROM TRADITIONAL TO DIGITAL

The journey from a traditional mortgage model to a digital model cannot have a short-term focus that capitalises on quick wins. It goes well beyond the use of new tools and different media for engagement, and it is a holistic change in the mindset of the organisation and the ultimate delivery of products and services.

Lenders that implement ‘digital’ utilities and applications should question their longer-term objectives in doing so. When mobile applications are introduced, there should be improved brand awareness and credibility. However, the organisation should consider implications beyond just the brand. Lenders should ask whether they are really transforming the way they engage with the customer, changing the way they do business or changing the value of their offerings. In many instances, digital tools are applied to particular experiences and are not a universal strategy of engagement and doing business in the future.

To better understand what we mean by having a digital mindset, let’s look at the traditional technology model and how it contrasts in value with a more digital model.

Overview of Traditional Model

The technology framework that currently exists for many lenders today has been achieved through years of acquisition and integration of utilities, components and systems. It is typically driven by mandated changes: new industry offerings, new regulatory requirements and new investor requirements, which are quickly designed and implemented. The organisation reactively responds to these changes rather than taking a proactive approach and implementing long-term sustainable solutions that differentiate the organisation through thoughtful customer offerings.
Technology has not kept pace with the value demand in the mortgage industry, which continues to squeeze profits and cause operational heartburn.

Take, for example, the implementation of MMR in 2014. Banks, in an attempt to reduce operation overhead, relied heavily on intermediaries to bring in the mortgage business. The inherent inability to support the intermediaries’ business with a high degree of automation came to the fore as volume peaked and customers’ expectation changed. Since then, various lenders have been investing in ways to upgrade their infrastructure to support an intermediaries-based business model. The traditional model has grown from necessity or from being reactive to market demands, rather than looking at future business needs, customer needs, offerings, competitive advantages and market differentiation.

The current technology framework for many mortgage lenders is a collection of utilities, applications, components and systems that have been strung together to solve specific needs throughout the process. Such a model often lacks extensibility into new ways of doing business, lacks capability reuse and limits the ability to respond to future needs. Additionally, many lenders’ business models result in a disjointed customer experience based upon the mode of customer interaction. Consider the loan underwriting document collection process. Borrowers, lenders and closing agents go through fragmented channels whether it is phone, email or jumping to various ‘tools’ to participate and collaborate. Rarely does the customer have a seamless experience. Most often, the customer is forced to engage with the lender through call centres or email to collaborate and participate in the process.

**Why Isn’t Technology Keeping Pace with the Value Demand?**

Technology has not kept pace with the value demand in the mortgage industry, which continues to squeeze profits and cause operational heartburn. We have observed the following root causes in the industry that are contributing to this disconnect between technology and value:
Asking for documents again and again through a slick self-service interface is not improving the experience; rather, it just puts a new face on a problem that has persisted for years.

- There is too much reliance upon a single LOS to address all of the needs within the lifecycle. LOS have been occupied with compliance changes for the past decade and have not focused sufficiently on innovation.

- Traditional operating models have largely not been questioned. Many lenders operate within a linear process and align their organisations around sales channels and geographies rather than capabilities. This limits innovation and promotes the reuse of core capabilities across the organisation, which causes challenges in an ever-changing marketplace based on customer preferences, increased expectations, and additional regulatory requirements and scrutiny. In addition, many of today’s LOS have been primarily designed around dated operating models.

- Almost all lenders have essential technology components in place, but very few leverage them to the right level of value realisation. Mortgage lenders and vendors have enhanced some components but continue to lack the ability for full follow-through to maximise these capabilities. For example, digital documents are typically limited to the paperless value proposition. However, the industry is a document-centric/data-centric field. There is limited use of metadata or direct sourcing of data. This is an unrealised opportunity. Banks should leverage natural language processing (NLP) capabilities one step further to satisfy, for example, underwriting conditions. They should invest in leveraging open banking capabilities being added by CMA.

- Fragmented ‘point solutions’ are leveraged throughout the process, which impacts the customer experience. Examples of fragmented solutions are often found in the following: solicitor portals, valuation portals and intermediary portals.

- The immediate focus for lenders tends to be on the customer experience and self-service options. Such a focus is great for improved customer experience and collaboration, but the back-office processes, capabilities and technologies must also be addressed in tandem to maximise the benefit of collaborative solutions. Asking for documents again and again through a slick self-service interface is not improving the experience; rather, it just puts a new face on a problem that has persisted for years.

OVERVIEW AND COMPARISON OF DIGITAL MODELS

A digital solution model enables a multi-interface engagement (web, app, call centre, etc.). A fully digital model is unified to enable collaboration between all participants of the transaction, and includes the three primary value enablers – borrower interaction, digital back office, and third-party interaction (see Figure 5, page 14). When fully interconnected, these enablers can position a lender to deliver an integrated mortgage solution across the product lifecycle that enhances customer experience, increases efficiencies and drives down costs.
A traditional model, by contrast, often includes disjointed, fragmented systems that are woven together to solve end-to-end needs. Unlike the digital model, the traditional model is more prone to manual work-around and rekeying of redundant data, which adds risk to the process. The following are brief descriptions of the three primary value enablers within the digital solution model:

- **Borrower enablement within the ecosystem**: The borrower interaction layer supports an end-to-end unified customer experience via a singular solution set (see Figure 4). This layer aggregates utilities across all borrower engagement points to support collaboration with all parties, and leverages existing point solutions as core components, such as Agreement in Principle (AIP), Decision in Principle (DIP), conveyance, deed registration, etc. A common user interface design enables rapid changes and consistent experience regardless of engagement mode (web, mobile, tablet, etc.).

The following activities are often functionality integrated within the borrower interaction layer:

- Integrated intermediary portal.
- Integrated mortgage calculator.
- Single source of AIP/DIP.

Borrower Enablement within the Ecosystem

![Borrower Enablement within the Ecosystem](image)

**Figure 4**
» One application: First-time buyer/Buy to let/Help to buy/Re-mortgage.
» Integrated disclosure document.
» Leveraging open banking to automate income and assets calculation.
» Uploading documents.
» Scheduling valuation and survey.
» Integrated solicitor and valuation exchange portal.
» Status and messaging.
» Information collaboration.
» E-signing.

• **Digital back office:** The digital back office provides the lender with expanded metadata management and decision management tools by extending the document lifecycle upstream, where specific document needs have been determined, but have not yet been fulfilled. Most document lifecycles (from a data entity standpoint) begin with the receipt of a requested document rather than at the point the specific document need was identified. Most lenders have an electronic folder without clear visibility to the specific valid documents received and document needs that are still outstanding.

» Extending the document classification to a deeper level to enable process automation and process accuracy, and to minimise process risk. Metadata for the document is expanded from only ‘doc type’ to include version and other data. For example, move the document request from a simple ‘W2’ classification to include a relationship to the borrower, employer and year.

» **Developing a comprehensive framework that allows for relationships to exist between specific document versions, loan conditions and activity plans.** This is the area where most lenders fall short. Successful capture of the functionality enables automation and ensures compliance through exception management and effective process control.

• **Third-party interaction:** The third-party interaction layer is focused on fully integrating third parties within the process, and expands third-party capabilities from product ordering and fulfillment to collaborative interactions throughout the third-party process (see Figure 5, next page). Borrower-facing capabilities are managed within the third-party interaction layer but experiences are exposed through APIs. The layer provides a singular solution set rather than a collection of point solutions, is API-focused, and leverages existing point solutions (such as mortgage calculator, e-signing, affordability in principle, integrated solicitor/valuator) as core components. The third-party interaction layer also provides deep value in expediting the communication and collaboration of process activities as well as enforcing origination policies and rules at the broker’s point of fulfillment.
Whereas a traditional model allows for the aggregation of imaged files, the digital office enables relationships to link the data within the files to complete calculations, such as debt to income, loan to value, etc.

Third-Party Interaction

Functionalities integrated within the third-party interaction layer often include the following:

» Self-service scheduling with mortgage advisor.
» Intermediary relationship management (pricing scheme, compliance check).
» Delegation of document needs to participants (solicitor (buyer & seller), valuator.
» Pricing.

- Going deeper than simply developing a ‘virtual loan file’. Digital enables leveraging the data relationships established to allow the virtual loan file to contain a full understanding of the documents included, in addition to the data extracted from the documents that drove the underwriting and processing decisions. Whereas a traditional model allows for the aggregation of imaged files, the digital office enables relationships to link the data within the files to complete calculations, such as debt to income, loan to value, etc.
Figure 6 provides a simplified view of traditional back-office core activities, resources, supported systems and the process limitations. As depicted in the diagram, the inefficient process is heavily reliant on human intervention to interpret documents, calculate loan values and then once again recalculate loan values. Implementation of digital back-office capabilities will provide increased efficiency in underwriting due to clearly linked supporting documents, improved accuracy in loan calculations, and overall consistency enabled through automated processes and business rules. Figure 7 (page 16) provides the process areas where automation can altogether replace or reduce manual intervention and interpretation. At the core of the digital back office is the ability to capture data and support enhanced automation of processes. Figure 8 (page 17) provides an overview of how the digital back office ingests data and documents to ensure that underwriting requirements are addressed.

A Simplified View of the Traditional Back-Office Lending Process

<table>
<thead>
<tr>
<th>Core Activities</th>
<th>Receive Documents &amp; External Data</th>
<th>Review if Complete &amp; Appropriate</th>
<th>Review to Derive Values &amp; Adequacy to Clear</th>
<th>Holistic Review &amp; Underwriting Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources Leveraged</td>
<td>OCR &amp; Human Based</td>
<td>100% Human Based</td>
<td>100% Human Based</td>
<td>100% Human Based</td>
</tr>
<tr>
<td>Systems Supported</td>
<td>Documents Stored &amp; Indexed</td>
<td>Document Checklist</td>
<td>Derived Values Stored &amp; Condition Status</td>
<td>Decision &amp; Condition Status Updated</td>
</tr>
<tr>
<td>Why Does It Not Work Well?</td>
<td>Value limited to paperless value – deeper data capture is needed.</td>
<td>Requires human interpretation of completeness and appropriateness.</td>
<td>Requires humans to derive values – lacks consistency and prone to accuracy issues.</td>
<td>Highly inefficient – requires that all prior conclusions be reevaluated.</td>
</tr>
</tbody>
</table>

Figure 6
THE JOURNEY

The journey should begin with a long-term view in mind and the business value that can be achieved with digital capabilities and offerings. Looking beyond existing utilities, systems and applications that are on the market, organisations should align the core capabilities needed to achieve long-term business goals. This should be carried out at a fairly detailed level to ensure the technology capabilities identified align with current as well as future business needs.

The technology selection should consider the long-term journey and approach to optimise borrower engagement. When considering a solution, the strategy should:

• Inventory current capabilities.
• Identify capabilities needed/desired.

• Define technology requirements.
• Assess the current state.
• Define the future state.
• Implement technology.
• Provide ongoing review of capabilities.

Challenges

When designing a plan to digitise the mortgage process, organisations should carefully consider the following challenges:

• Technology cost spend. Budgeting should include plans for changes to the technology, team structure, programme monitoring and process reengineering. Clearly articulating the digital business strategy and how technology can enable this strategy is imperative.
to understanding the costs/benefits before undertaking a successful implementation.

- **Changes resulting from process improvement (e.g., potential disruption to culture).** Process improvement associated with plans to digitise the business should consider potential disruptions to the culture of the organisation. Current staffing may not align to the competencies required in a fully digitised future state.

- **Digital alignment to vendor systems that might not yet support capabilities.** Constraints related to third-party resources, such as title companies and appraisal management firms, which may not support fully digital capabilities, need to be considered.

- **Case for heightened data security.** Data security will become even more important post-digitisation. Organisations should therefore review their data security protocols and ensure that they align to their digital strategies.

### LOOKING AHEAD

The digital transformation underway in the mortgage industry is not a fad. Digital solutions address numerous industry challenges. The process and technology transformation will personalise the customer experience, spur innovation within products and service offerings, increase compliance and lower origination costs. Lending institutions and mortgage servicers must adopt digital solutions to remain relevant. Moving from a traditional mortgage model to a digital-solutions-based mortgage model will require dedicated organisational alignment. Digital is not just a box to be checked or leveraged only for pointed solutions to specific problems.
ENDNOTES


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