

Breaking Old Habits

Redefining Mortgage Operations with Technology



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Credit unions and other mortgage lenders are facing a new reality. The pandemic and its aftermath ushered in demand for organizations to stay one step ahead of homebuyer needs. Not only should they satisfy (and exceed) expectations amid the transition to remote environments, but many members are now accustomed to data on demand, increased convenience, and better experiences, often with limited in-person interaction.

This shift has changed how members view the mortgage process. Research from Freddie Mac indicates 91% of banking and lending executives strongly believe that customer expectations for a robust digital mortgage experience are rising as a result of the pandemic. And, according to recent research from McKinsey & Company, nearly 60% of both purchase and refinance borrowers would be open to completing the entire mortgage application online, without support either over the phone or in person. Members also crave speed, and their satisfaction drops by roughly 15% if the lender takes more than 10 days to provide a decision on an application.

The important question has now become: how can credit unions expand homeownership in an unpredictable market, while keeping up with these new needs and growing demands from members? The answer lies in modern, cloud-native technology that transforms the mortgage experience.

LEGACY TECHNOLOGY SOLUTIONS NO LONGER SUFFICE

Historically, the implementation and adoption of new technology has been a challenge for mortgage lenders. This is at no fault of the lenders themselves, as legacy solutions can be complicated

and cumbersome, often rife with unexpected, additional workflow requirements and expenses. In addition, legacy technology lacks the configurability, flexibility, and scalability necessary to face industry uncertainty and evolving member demands.

Despite alternate solutions being available to automate many of the front-end processes, McKinsey's research has found that many mortgage originators still engage in labor-intensive and repetitive fulfillment and servicing. By continuing with legacy technology, credit unions face elevated costs and delayed cycle times, as well as the inability to scale operations fast enough to take full advantage of increased demand, all of which dramatically impact member satisfaction scores, and consequently, profitability. Credit unions and other lenders cannot meet the needs of today's homebuyers using outdated technology, and therefore must adapt.

THE MORTGAGE MARKET IS AS VOLATILE AS EVER

At the start of the pandemic, the Federal Reserve's economic stimulus measures such as increasing liquidity and buying billions in Treasury bonds and mortgage-backed securities (MBS) caused interest and mortgage rates to fall to record lows, triggering a surge in new home sales and refinances. To counteract the record-high inflation levels resulting from the pandemic, the Fed has mapped out 7 interest rate hikes this year, with the possibility of more in 2023 — the first and second of which occurred in March and May.

Interest rates have one of the most significant impacts on mortgage prices, and subsequently on purchase demand. As a result, in preparation for

further rate hikes in the remainder of the year and beyond, credit unions must also brace for predicted margin compression as lower demand collides with decreased refinance activity and untapped capacity in the market.

Despite predictions and planning, the lending environment remains extremely unpredictable. Today's economic climate and continued rate hikes, combined with global political uncertainties, have made it difficult for credit unions to define a clear path toward achieving increased growth and efficiency.

Further, with fewer buyers in the market, it is even more important for credit unions and lenders to adopt technology that can make the mortgage process easier and less cumbersome to remain competitive and expand market share.

THE ANSWER: INNOVATIVE, MODERN TECHNOLOGY THAT PRIORITIZES THE MEMBER

In its evaluation of the past five years, McKinsey found that lenders have increased spending on mortgage technology, and that trend is only expected to continue. Most of this investment in lending technology thus far has been channeled towards the front end of the value chain. However, lenders can save considerable costs, labor, and time by upgrading more components of their mortgage technology stacks to accelerate automation efforts.

Many leading credit unions are already looking to cloud-native, agile

solutions to operate faster, scale appropriately, and maximize profitability. This shift to modern tech enables credit unions to stay ahead of non-traditional lenders and increase market share, as well as completely satisfying member needs which, in turn, is fueling profit growth.

Further, by optimizing internal operations and increasing flexibility through the use of modern, cloud-native technology, credit unions can confidently and successfully serve a diverse member base in the midst of today's market uncertainty. Having access to the most technically advanced software solutions makes configuring new products and channels significantly easier. Workflows become automated, speed to market is increased, and lenders can truly optimize margins and revenue on every loan. Equally important, beyond increased efficiencies, innovative technology offers the customization and near-infinite configurability needed to create an ideal experience for each member.

In a rapidly changing and competitive market, it is important for credit unions to invest in new technology that stabilizes and strengthens their internal mortgage operations, facilitating enhanced and reliable service for both current and potential members. Providing homebuyers with a smoother and more efficient experience through technology will be critical for expanding homeownership now and into the future.

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