Case Study – Texas Capital Bank

LoanHD® Investor Module for Correspondent Loan Acquisition

A strong partnership and innovative thinking allowed Texas Capital Bank to inject more science into their technology and processes for correspondent loan acquisition.

The Challenge

Texas Capital Bank has grown to be a recognized name in the Warehouse Lending space and currently ranks among the top five warehouse lenders in the country. They attribute their success to having seasoned mortgage professionals who understand the client needs, deploying the best technology and recognizing that customer service is a key relationship element. When they decided to launch a new mortgage correspondent aggregation business, they wanted to apply these same attributes for success and identified three key challenges they needed to address:

- Poor data integrity; inaccuracies resulting in increased repurchase risk.
- Lack of transparency; missing document and defects affecting reps and warrants.
- Inconsistent process execution; inefficiencies increasing cost and turnaround time.

Committed to a new way of thinking about the relationship between correspondent sellers and investors, Jack Nunnery, EVP at Texas Capital Bank, led the charge to solve for these challenges and establish the right mix of people, process and technology to forge stronger ties with their clients.

As the search for solutions began, Jack found the most common technology solution being used by retail, wholesale and correspondent business channels was a loan origination system (LOS). However, this technology focused primarily on the manufacturing of the loan, serving retail and wholesale channels well, but lacking correspondent functionality.

A significant portion of LOS capability was irrelevant for a correspondent aggregator and product development roadmaps didn't include initiatives that would close this gap. LOS data alone could not address complete data integrity, LOS systems did not provide the document transparency required and LOS workflow did not address loan file due diligence process execution.

The core of what a correspondent aggregator does is focused on due diligence. For some investors this means only a cursory review of the loan file, with the correspondent seller's balance sheet serving as the principal risk mitigant for critical or moderate defects on the loan. Texas Capital Bank wanted to change this paradigm and create a client-centric ecosystem where people, process and technology create fast turnaround times and proactive identification and resolution of defects. The goal being that both partners benefit from the relationship.

The Solution

Texas Capital Bank sought out a technology provider who shared their vision of developing a better way of doing things for correspondent loan aggregation. LoanLogics proved to be the right partner and the LoanHD® Investor Module for Correspondent Loan Acquisition, the right solution.

Together, Texas Capital Bank and LoanLogics created a true correspondent loan acquisition capability. It not only provides the core due diligence capabilities needed, but also includes a web portal for interaction with sellers, a fully integrated pricing and commitment desk

Texas Capital Bank Company Profile

- Founded in 1998 by a group of entrepreneurial bankers who set out to build "The Best Business Bank in Texas®"

- Headquarters: Dallas, Texas

- Top 20 Ranking in the Forbes list of Best Banks in America

- Total Assets: $17.8B (as of Q2 2015)

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"Different people, doing the same thing on different loans, differently – we have to stop that in this business."

Jack Nunnery – EVP and Director of Correspondent Lending, Texas Capital Bank

capability, management of the purchase advice and the boarding of loan files into Texas Capital Bank's servicing system.

The solution has also effectively addressed the three challenge areas:

Data integrity in the loan file

Jack Nunnery coined the term "OCR Compare" to describe LoanLogics highly differentiated capability to address data integrity. It is a known fact that data elements exist in multiple documents in a loan file. LoanLogics data and document processing hub leverages data extraction and a business rules engine to extract data from multiple documents and compare values across documents and systems data.

This capability overcomes the accuracy issues associated with pulling data from only one source (LOS), relying solely on OCR where document quality issues impact results or the manual input of data from documents into the system of record which is time-consuming and subject to human error.

LoanLogics intelligent data extraction and automation cost effectively addresses data integrity for more accurate identification of defects that increase repurchase risk.

Transparency to the document set

Ensuring there is a complete document set in a loan file requires analysis, version control and proper indexing. LoanLogics' capabilities provide granular classification of all mortgage documents using LoanLogics standard document taxonomy (a best practice document naming and categorization convention) and

chronological versioning. This automatically serves up the relevant documents associated with a specific audit task, eliminating the need to search through unorganized, multi-page pdf, jpeg or tiff files.

Indexing services and document resources provide quick access to files and identify the absence of documents, critical and non-critical, that might affect reps and warrants.

Process execution consistency

Texas Capital Bank defined their business processes for their new correspondent aggregation business down to the task level. They then worked with LoanLogics to synchronize process flows with LoanHD® platform capabilities. Together, technology gaps were identified and process modifications made where technology provided added elegance and improvement.

From Jack Nunnery's perspective, "LoanLogics is different than every other technology provider. They actually use their own technology." This was a compelling differentiator, because the majority of audit worksheets and business rules already existed and were being used in production. Texas Capital Bank could leverage these and avoid the challenge of business rules creation, which is often underestimated.

Process execution consistency is now supported by advanced worksheets for such exacting tasks as income calculation and audit rules automation to drive costs down through improvements in cycle time.

The Result
Through collaboration and a joint commitment to an aggressive development effort, a true, end-to-end solution was

created. Jack Nunnery summed it up well, "I felt that we had a partner that was committed to our success throughout the lifecycle of this project."

Texas Capital Bank has branded their LoanLogics solution the Correspondent Hub. Feedback from correspondent sellers has been very positive. The interface is easy to use and intuitive, providing easy upload of files and functionality that make sense for rebutting and clearing conditions for purchase.

As customer service is a key relationship element, Texas Capital Bank uses the platform to provide their clients with business intelligence to improve their processes and lessen their contingent liabilities. Bi-directional communication keeps everyone connected and consistently enables the funding of a loan in 5 or 6 days.

This ground-breaking platform continues to be refined and enhanced through the ongoing, joint commitment of Texas Capital Bank and LoanLogics. Expressing his passion for innovation, Jack Nunnery continues, "There is a great opportunity to show regulators our industry's commitment to quality and creating additional value for borrowers."

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