



## New technology for correspondent lenders

### Stop driving a square peg through a round hole

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**MULTIPLE ISSUES HAVE BEEN** straining the relationship between correspondent sellers of loans and the Investors that buy them. At the heart of these issues are the loan quality defects that delay funding, create adverse pricing adjustments and require a mismatched combination of systems and manual processes to cure. From the management of the new seller application process to the approval of the purchase advice, square peg solutions are being applied to a round hole problem!

For investors, confidence in the loans they purchase is significantly increased when they know the quality of the loans they are purchasing. The degree of transparency required can only come from technology and automation that enables significant efficiency improvements, while supporting the evaluation of even more granular loan-level data. Over time, this rich data set provides the foundation for assessment and reporting on sellers as a way to evaluate the ongoing business relationship.

For sellers, satisfaction with the transaction process improves with faster turn-around time to funding and flexible pricing options that can help them achieve their profit goals. That translates into workflow tools that facilitate real-time notification of conditions and the ability to quickly review and clear them. Funding velocity is increased and warehouse lines are freed up more quickly for new loans while overall operation costs are driven down.

For both parties in the transaction, identification of the actor or process that is contributing to defects, at a client level, provides added value to sellers and builds a stronger relationship with the investor. Beyond clearing conditions on a loan by loan basis, the analysis of trends or patterns identified across all loans delivered by a particular seller can help them find the sources and causes of defects. This is a new way of thinking that creates mutual benefit for both the investor and seller in the form of more profitable transactions.

The round peg needed for the round hole is a platform technology capability that can unify all aspects of the correspondent loan acquisition process. This is a powerful alternative to the use of a square peg combination of multiple, one-off systems and services built around a loan origination system, whose single purpose is for the manufacturing of loans not the due diligence and validation of loans that have already been closed. This square peg method also requires the separate licensing and use of a product and pricing engine, document processing and document management system, due diligence review services and a loan seller portal. Using a single platform technology, specifically designed for the due diligence and acquisition of closed loans, eliminates the expense related to the customization, integration and maintenance of a multi-system / multi-vendor approach.

Additionally, there is no need to pay for functionality that is not required and frankly misses the mark with respect to the evaluation and due diligence of closed loans. And, in an environment that requires intense scrutiny of vendor partners, there are additional benefits of leveraging a robust and comprehensive technology solution through a single vendor whose DNA is rooted in risk management and loan quality / due diligence, and the automation thereof.

Significant business value becomes possible with a new class of technology that addresses all aspects of correspondent loan acquisition, from the new seller application workflow and approval process, to initial pricing and the creation and management of commitments, locking and hedging, classification and data extraction of submitted loan documents, closed loan file eligibility and automated pre-purchase review, and all the way through loan funding and servicing onboarding.

Investors and correspondents need to leave behind the square peg and advance with purpose-built technology – minimizing defects and enabling consistent execution, repeatable outcomes and business intelligence for continuous process improvement. Play different, get better results.