

MORTGAGE
INDUSTRY
TRENDS IN
THE POST-
PANDEMIC
WORLD

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Foreword

The global economy is expected to contract by 3% following the “Great Lockdown” resulting from the COVID-19 pandemic. Unemployment rates are steadily increasing globally on one side, and enterprises are cutting pay on the other. These will have a direct impact on consumer spending.

U.S. GDP is estimated to reach \$22 trillion in 2020. The mortgage industry usually contributes 10% to the GDP through new loan origination. However, the current slowdown will impact the mortgage industry growth as well.

Central banks around the world are dropping interest rates to subzero. The rates are expected to remain unchanged through 2022. Lower rates will accelerate refinance and purchase from creditworthy borrowers. At the same time, lenders have begun tightening the lending criteria to mitigate risk. Hence home price and origination volume is expected to go sideways.

Nonbanking mortgage companies are being impacted the most, as they don’t have access to central banks’ liquidity facilities. The number of products offered by lenders is expected to fall. Demand for products such as jumbo loans, low down payment, or low credit score loans are also expected to decline.

Yet, customer expectations continue to grow and lenders must improve interactions with them to remain competitive. We see that regulators are more open to adopting new technologies such as eClosing due to the social distancing norms in place. High loan origination and servicing costs are denting lender margins. New regulations are expected to be released that protect borrowers, for example, forbearance extension beyond the initial six months, will result in higher delinquent loans in the future.

A physical presence is unavoidable in the origination process, the stage that includes appraising the property and notarizing during closing. However, with new social distancing norms being followed and expected to continue, many U.S. states have amended their remote online notarization policy so that closing could be accomplished remotely.

Technology can help resolve many issues by leveraging end-to-end digital origination and servicing, default prediction, optical character recognition (OCR), and self-service tools such as smart chatbots to perform customer requests. Many lenders and servicers have started digitizing their processes to help enhance the customer experience and reduce their operational expenditure. COVID-19 has accelerated this need even more. In this post COVID-19 world, here are a few trends we see unfolding in the mortgage space.



IMPROVE CUSTOMER EXPERIENCE TO DRIVE REVENUE

Mortgages have historically been a profitable and steady business for banks and lenders. And as such, investments towards customer experience were not prioritized. But the tide is turning. Improving mortgage customer experience and increasing customer engagement through technology have become a priority, and COVID-19 has accelerated this need. Mortgage lenders have begun digitizing the end-to-end experience, from home buying to closing to servicing. From wowing the potential customer with easy-to-use, interactive and omni-channel experiences at origination, to closing the loan through eSigning and eClosing, and finally, over the life of the loan easing the customer journey through straight-through processing of simple borrower requests, banks are going out of their way to improve borrower experiences.

Trend 1: Increasing use of self-service tools

COVID-19 has resulted in a spike in customer contact center volumes (up to 2,000%) as borrowers opt to utilize mortgage moratoriums – or mortgage holidays – in order to manage their finances. Lenders are left with two choices — either increase the headcount and the training efforts or leverage self-service tools such as interactive voice response (IVR) or chatbots, which is a smarter choice in the long run.

Mortgage lenders also have the opportunity to provide a differentiated customer experience by applying customer insights for advanced recommendations and advice.

Lenders can also engage in conversational lending where insights are delivered proactively through contextual decision-making.

Chatbots help improve customer experience

Chatbots add a personal touch (such as greeting a customer) to provide a “wow” experience. They provide a rich, intuitive, effective, and humanlike experience that exceeds modern customer expectations. During a conversation with the customer, chatbots use advanced speech, natural language processing

capabilities, and sentiment analytics to gauge the customer’s tone, emotions, and voice accent and offer solutions that are customized to the overall context of the conversation. This helps build better customer relationships, and improves the user experience

Mortgage lenders are also leveraging chatbots to perform transaction requests, such as changing payment dates and amounts, and updating payment bank details. For example, Hong Kong-based Hang Seng Bank offers their mortgage customers a chatbot solution, HARO, that handles general

inquiries about products and services, helps customers identify suitable products, and provides application status. The chatbot also assists customers with calculating repayment amounts for designated mortgage loans. Innovative technologies are also integrated with chatbots to offer advanced processes:

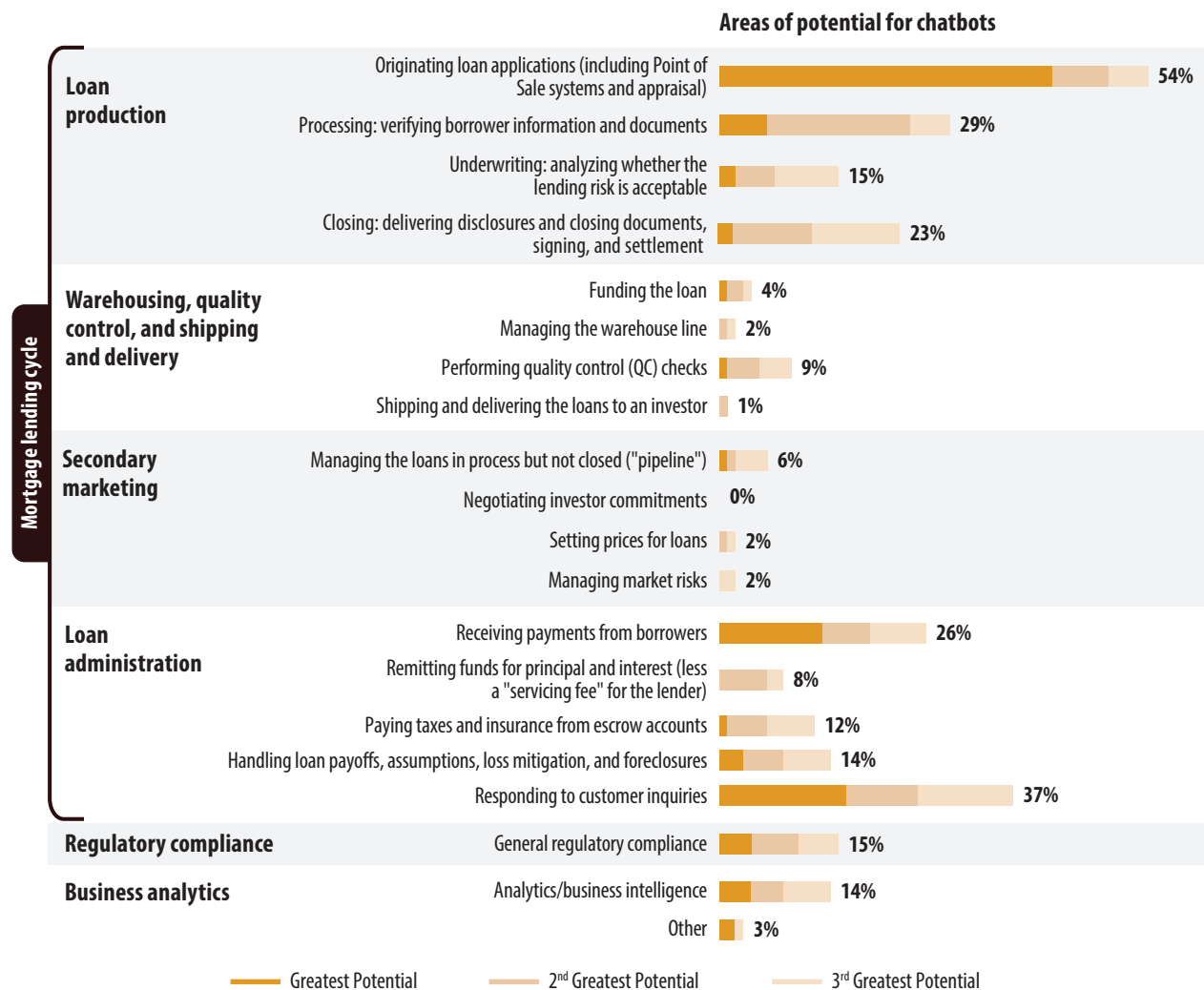
- Facial recognition to enable zero-click transactions
- Virtual reality to visually illustrate the impact of long-term savings

- Real-time status update on a cross-border blockchain transaction
- IoT devices integrated with chatbot technology to converse with customers through voice

The uses of smart chatbots in the mortgage industry range from lead generation all the way through to default management. Some of these applications help consumers find the most suitable loans during a search. For existing customers, chatbots provide an easy and efficient customer

experience by harvesting data quickly and securely. They can also provide customers with accurate mortgage rates and, at the same time, collect customer information in a conversational way. Smart chatbots also function as a mortgage calculator that empowers home buyers to understand available alternatives and the financial implications of changes in variables.

Figure 1. Potential areas for chatbot use in the mortgage industry



Source: Fannie Mae



IVR for an omnichannel experience

Interactive voice response (IVR) is quite commonly used in the mortgage industry now. However,

to provide an omnichannel experience to the customer, the features that are offered through other self-service channels need to be extended to the IVR channel as well. This will help save time

by swiftly guiding customers to the right agent, save money by automating simple, and regularly used customer transactions as possible.

Trend 2: Expediting the mortgage funding process through eClosing

Electronic signatures can be used in various stages of the mortgage life cycle, from origination to funding. The eSign functionality helps to obtain the signature faster in various stages of the mortgage life cycle. During closing, it provides a unique customer experience in eClosing and funding.

Historically, regulations have been issued permitting remote online notarization, yet few processes still required wet signatures. With the outbreak of COVID-19, criteria requiring the physical presence

while signing were suspended to permit remote authorizations for real estate transactions. It is expected that some of these rules will be further amended to fully utilize eSign capabilities, using digital tools in each and every phase of the mortgage process.

In addition to popular benefits including cost reduction and risk mitigation, eSign and eClosing also help in two other areas in the funding process:

Faster processing: Large volumes of paperwork and the various parties involved during

the closing process have led to complexities and delays in issuing a mortgage. Using digital tools with functionalities such as electronic document generation significantly saves time compared with paper documentation, as long as a system is enabled to leverage digital tools. Digital signatures offer a differentiated time-saving advantage, particularly around delays in closing. The documents are encrypted and reliable, as any changes post-signing can be identified and potential risks can be addressed. COVID-19 has

already accelerated the adoption of eSigning and eClosing.

Enhanced customer experience:

There are multiple stakeholders involved during the closing process. From a consumer standpoint, connecting to various parties, including the real estate agent, closer, and settlement agent, via digital channels such as video has not only helped customers gain faster mortgage approval during a time when most of the offices are closed but

has also helped banks to think about more innovative ways of engaging with customers.

Lenders aided with advanced digital tools have enabled same-day funding for most of their purchase loans, except refinance that requires a three-day “right to rescind” period. eSigning enables the closer/lender to wire funds, and the settlement agent to send documents such as deeds of trust, to the local office for recording much earlier

in the process. This quickens the ownership transfer, expedites the closing process by initiating funding to various parties including the seller and third-party service providers.

eClosing features helps lenders reduce the overall life cycle time for mortgage origination. While physical signatures are still required based on regional requirements, COVID-19 has accelerated the trend of adopting eClosing for mortgage closure.

Trend 3: Digitizing to enable straight-through processing

The life of a mortgage loan generally goes up to 30 years. In such a long time span, borrower preferences, such as payment source, monthly installment amount, preferred date of payment, etc., might change and need to be amended in the servicing systems.

Borrower requests are raised through call centers, websites, emails, and IVR channels. At present, most of these requests are not being updated immediately. In general, borrower requests undergo three stages — the front end, where the request is captured; mid-office, where it is analyzed; and finally, fulfillment is done at the back

end. Request origination at the front office has been digitized to a large extent. However, the mid- and back-office, where the requests are actually carried out, are completely manual. This is time consuming and results in the customer having to either wait or contact the servicer to know the status of their request.

Nearly 80% of customer requests relate to updating basic information. These requests can be easily processed without much manual intervention. Lenders can integrate this straight-through process (STP) with their online, IVR and smart chatbot channels to give a universal experience to their customers.

Once the STP solution is enabled, the customer is provided with instantaneous confirmation about their request. As there is no human intervention required to process nearly 80% of the requests, these instant fulfillment services can be offered to customers 24/7, which helps enhance their experience. On the servicer side, as the requests are handled through STP, it reduces lenders’ operational costs and helps them redeploy their resources elsewhere.

INCREASE TECHNOLOGY INNOVATION

Innovation has always been difficult for traditional mortgage lenders because of their risk-averse nature. Their new-found digital rivals on the other hand, are bold and technologically armed. Mortgage lenders have begun equipping themselves with technology that accelerates customer onboarding, reduces manual efforts and errors and improves predictability.

A particular area of focus is artificial intelligence models that are being trained to make real-time decisions. And good data helps make those decisions. Creditworthiness is being determined by combining the transaction history of prospective customers from various sources such as bill payment, public records, and wages. These datasets are being modeled to predict a borrower's ability to make payments. AI models also improve fraud detection and risk mitigation. OCR helps in onboarding customers with automated document validation, which speeds up the process, reduces manual errors and costs. Mortgage lenders in Asia are also dabbling with blockchain to create a digital ecosystem that removes repeated validation, brings in accountability and increases trust

Trend 4: Application of AI and ML models to predict outcome across all mortgage functions

The mortgage industry has relied on inefficient manual processes for years. With the advent of AI and ML, inefficient, error-prone and time-consuming processes will improve.

Application of AI and ML in the origination function

To date, lenders have used

AI and ML only for basic data analysis and to appraise the loan applicant. Advanced versions of AI and ML are now being used to find hidden financial relationships of borrowers, crunch large volume of data, and most importantly, predict the behavior of the loan applicant and loan book. With increasing customer expectations, stricter regulatory

requirements, and operational challenges, usage of AI and ML is increasing exponentially. Within the origination function, AI and ML are being used to assess a borrower's creditworthiness and to identify fraud. The benefits of using AI and ML in origination are multifold. They result in lower origination costs, reduced credit losses, increased risk-adjusted



margins, quicker processing, lower legal costs (lower risk of fraud), and also help in upselling products.

Credit scoring and appraisal: Mortgage lenders have realized that making improvements in credit scoring and appraisal can reduce delinquencies and increase profitability. They collect over 5,000 data attributes of borrowers during the lending process including data related to the borrower's credit history; existing credit lines; and their performance, property, employment, income, tax, and insurance information.

AI and ML helps makes sense of all this data and provides an alternative to the credit bureau data. They help transform the captured data into an opportunity to project the performance of the loan application. Lenders

can leverage AI and ML to build their ability to score the applicant's creditworthiness numerically by combining data collated — including credit bureau data, income, employment, tax, assets, rent paid, bills, and the performance of existing credit lines — into an overall score that predicts creditworthiness considering all these factors involved.

Fraud detection and mitigation: It is estimated that fraud in lending costs billions to the mortgage industry. Nearly one in 123 mortgage applications in the U.S contained fraud, according to CoreLogic research. These frauds come in multiple forms, including financial misrepresentation by borrowers, fabrication of property/income documents by borrowers, collusion of brokers and loan officers in corrupting the

process, usage of false identities, inflated and falsified property appraisals, etc. — all of which lead to losses to the lenders.

Advanced AI and ML can be used to flag loans that are at risk of having fraudulent elements. These loans are passed on to an officer for another round of detailed review. AI models can be built using comprehensive data made available during loan origination and can be triggered at many stages during the loan origination.

Application of AI and ML in servicing and default functions

AI and ML models have brought in significant changes to the way mortgages are serviced and default is managed. They help estimate a borrower's ability to

repay based on publicly available data and lower delinquencies. Mortgage lenders can lower collection costs, increase customer satisfaction and customer retention by leveraging AI and ML.

Servicing call prioritization:

Call prioritization models are built using AI and ML to predict and normalize the repayments received from a loan book. ML models use data from servicers' own payment pattern to create a priority list of borrowers to be contacted, and ascertain the best days of the month to send reminders and follow-ups to the borrower.

Default prediction: AI and ML can be used to predict the performance of a mortgage

book (a group of mortgages) by processing multiple publicly available data points to identify stresses in various industries or sections of society. This enables lenders to take proactive measures to overcome these stresses.

Prepayment prediction:

Historically, predicting customers who tend to move away to other lenders for better rates or for better repayment terms has been a challenge. Using AI and ML, lenders can build and run predictive models to identify such accounts. Lenders can engage better with this set of borrowers, offer more attractive repayment terms and incentivize them to continue their existing relationship.

Retention management: AI and ML tools help predict customer behavior three to six months in advance and to design attractive offers or discounts for individual customers. This not only increases the customer lifetime value but also turn them into lifelong customers.

Collection management: AI can be used in the early stages of the default process helping with collections to reduce loss mitigation. For example, Citizens Bank leverages an AI-powered product, CollectEdge to modernize their collection processes and ensure better risk segmentation.

Trend 5: Accelerating the mortgage loan onboarding process

Despite the accelerated digitization happening due to COVID-19, the shift away from paper documentation toward a complete digital loan origination will take a few years for the mortgage industry. This is because the industry is not mature enough to use a common platform shared by all the players involved in the process to avoid duplication and repetitive tasks. This results in gaps between aggregators' point-of-sale platforms and mortgage lenders' loan origination system platforms because information is not often seamlessly transferred between these systems. As a result, any information passed on, such as the presence of a document type and its contents,

is revalidated and confirmed. This increases the processing time and cost.

On average, there are over 25 types of documents involved in the retail mortgage loan origination process, over 15 in correspondent lending, and over 10 in mortgage servicing rights. Dealing with many documents in large volumes manually leads to cumbersome processes prone to errors.

Identifying the latest and correct version of an uploaded document when multiple versions with the same name exist (for example Initial 1003, Unsigned 1003, Final 1003) is difficult. This happens quite frequently. A loan officer needs to open all the available

versions, extract the relevant information, and apply business rules to proceed with the process. This is a time-consuming and error-prone process as it is completely manual.

Mortgage lenders partner with multiple correspondent lenders. Business opportunities aside, this creates challenges for the mortgage lenders as the data shared is often missing and is usually shared in various formats. Mortgage lenders need to standardize the data based on Fannie Mae and Freddie Mac's requirement. Due to the complexity of the documents and processes involved, over 60% of the time is spent on manual operations.



OCR helps automate manual activities

OCR powered by AI/ML can mitigate these challenges for mortgage lenders. The accuracy of OCR has matured significantly and can be used to immediately validate the documents of the retail borrowers, and the complete loan package shared by the correspondent lender or MSR. This instant validation allows the mortgage lender to quickly request for any incomplete or missing information.

Verifying the presence of all the mandatory documents promptly saves lots of downstream process time. In general, loan package is validated at two levels:

- Primary checks, which are common irrespective of the type of loan
- Detail checks based on the specific loan data

The layouts in bank statements,

paystubs and tax forms differs. OCR helps to understand the type of document and indexes it accordingly. OCR extracts the relevant information from the document and helps ingest the data into the respective systems after all validations are passed. This information is passed on to downstream applications without any delay.

OCR can also sort all the document versions from initial to final, extract the content, and appropriately compare them with the respective document data. For example, the appropriate version of loan estimate data will be compared with the appropriate version of closing disclosure. When the correspondent lender shares the pending required information (either a missing document or data), OCR clears the associated conditions automatically, reduces manual interventions and improves the processing time. Apart from

cutting down the processing time by up to 50%, it reduces the cost on quality and effort.

As the accuracy of OCR improves, it will minimize the need for the correspondent lender to submit the data in digital format. For example, the need to submit the FNMA 3.2 that contains the loan information in electronic form will be needless, resulting in less time being spent by the correspondent lender on submitting the loan package. Faster funding within the same warehouse line of credit means more loans will be originated by the correspondent lenders and more loans will be purchased by the bank.

Automated smart OCR-based document processing can help banks reduce mundane processing tasks and redistribute their staff to higher-value work. It also provides greater control to track the performance of the loan precisely.

Trend 6: Blockchain adoption in mortgage origination and servicing

The mortgage function, with its many parties, numerous documents, and lengthy end-to-end process, can benefit by adopting blockchain technology. While, it may seem distant today as the industry struggles with digitization, it is slowly being used in a few areas, and industry participants are getting themselves ready for it.

Blockchain technology can transform the processes through which consumers buy a home, and the way financial institutions handle approvals, disbursements, and servicing. It could also change the way mortgages are serviced and sold on the secondary market. Once adopted, the technology could reduce operational cost, time and friction from the process and create transaction records that are incorruptible. It can also reduce the need to depend on the “four-eye” principle or approval from two different authorities as

multiple validations from external parties will not be required. This also brings in accountability. The inherent security and transparency in a blockchain would remove many trust hurdles that make the process risky, complex, and lengthy.

Blockchain in origination

On the origination side, blockchain can give quick access to the financial position of the borrower through credit scores, bank information, earnings, tax returns, and asset holdings. Past records of property survey and valuation can be updated incrementally and property title deeds would be accessed through the blocks.

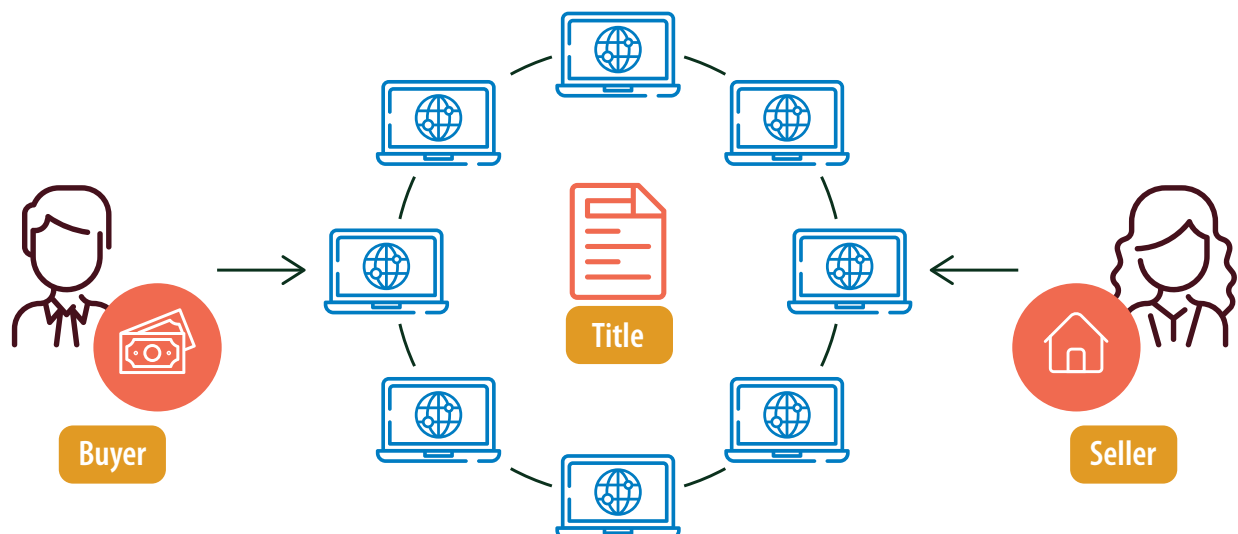
Blockchain can also be used to validate information such as loan packages and property evaluations from third-party providers — all in one place via

the distributed ledger. Documents and contracts such as proof of ownership, registration, and insurance would be securely maintained with instant transfers and changes. Risk of title will be minimal and title insurance can be done away with. Smart contracts for regulatory disclosure can be sent automatically to all relevant parties based on input from the distributed ledger. The status of the loan would be easily visible to all parties at any time, reducing operational overheads drastically.

Blockchain in servicing

In the escrow/custodian service for loan origination and servicing, blockchain can improve the fund disbursement turnaround time and eliminate the lengthy reconciliation process and the risk of fraud.

Figure 2. Mortgage process using blockchain



Source: CB Insights

In servicing, smart contracts would maintain collection history, remittances to investors, default servicing, and late fees. All repayments and settlements are recorded on the blockchain and can bring in transparency to the process. The home equity loans (HELOC) process can be easier and simpler where the borrower does not need to go through any document submission.

In the secondary market, lenders can digitize, segment, and price whole or partial loans and convert them into digital loan tokens that can be traded between loan originators and investors

The technology can enable STP in mortgage origination and make

the home buying experience similar to executing a financial transaction on an exchange.

Blockchain: a reality sooner than later

Enabling blockchain requires the readiness of the entire mortgage ecosystem and a push toward digitization — a digital ID for each property, digitization of title registrations and the development of open-access blockchains by government agencies. Considering various stakeholders involved in the mortgage supply chain, including regulators, adoption of this technology could be a reality in the next five years.

As COVID-19 has increased the focus on operational cost reduction and accelerated technology adoption, the benefits of blockchain might be realized sooner than expected. Firms must look for alliances that can support blockchain adoption. Real estate startups are experimenting with blockchain technology in the origination, servicing, and secondary MBS market. Banks in Russia, Hong Kong, and China have completed mortgage transactions trials using blockchain. Municipalities in the U.S, such as the city of South Burlington, Vermont, have begun exploring blockchain and are piloting title exchange digitally.

IMPROVE COST EFFICIENCY THROUGH COLLABORATION AND RATIONALIZATION

COVID-19 has forced mortgage lenders to focus on operational costs. They are turning to niche players to help them improve operational efficiencies and save time. These niche third-party players assist with each aspect of the mortgage process. To reduce costs, mortgage lenders are also consolidating business operations locally and globally.

Trend 7: Collaborating with third-party vendors

The end-to-end mortgage lending process is complex, and can increase the risk and liability for lenders trying to expand their footprint in their respective geographies. Lenders prefer to focus on their core business model of engaging potential borrowers, streamlining the application process, and reducing funding time. This helps them compete with new digital lenders.

Large mortgage lenders have begun engaging with third-party vendors and support channels to reduce the closing time, mitigate risk, and reduce the cost per loan. Initially in a dilemma of whether to build functionality or buy/work with third-party vendors, they have realized that third-party vendors specialize in certain sectors and business

functions. These vendors have gained extensive knowledge in their niche business spheres and models that would require a very steep learning curve — an implementation challenge for mortgage lenders.

For example, Compliance Ease is an industry leader in complying with federal and state regulations. Its platform can easily integrate with loan origination systems to ensure loans are within the allowed parameters for fees and disclosures, and are qualified mortgage loans. Other solutions, such as SmartGFE, connect immediately and provide accurate fee calculation that can save lenders in terms of mortgage cures and provide reliable estimations for borrowers.

Lenders decide against building some functionalities, as this involves enormous time and cost. It requires continuous maintenance and updates, and different teams and resources to maintain the system and keep it updated with industry and regulatory changes. Some of the new tools and functionality require dedicated teams to learn the system to outweigh the cost of implementation.

Third-party vendors help with each stage of the mortgage process, beginning with the origination function. Wolters Kluwer is the biggest document management vendor, interfacing with most mortgage lenders to provide document generation, electronic and encrypted delivery,

and eSignature functionality that help lenders with better borrower engagement. Digital aggregators and platforms such as Blend and MortgageHippo provide the best-in-class digital experiences to customers and help mortgage lenders stay competitive. The borrower provides information on the platform, which is transferred to the lender's loan origination system seamlessly. The platforms act as a wrapper to the lender's loan origination system as it allows easy navigation. As a result, the borrower doesn't have to switch from one system to another.

Within the servicing function, companies like Stater, a joint venture between ABN AMRO and Infosys, help. Stater primarily operates across the servicing and collections functions, although it offers origination services as well. By allowing mortgage lenders to focus on their core lending business, they help improve customer experience and enhance operational efficiencies with accelerators such as dynamic workflow, API layers, RPA, and analytics.

Partnering with third-party vendors helps reduce costs,

compliance errors, and inaccurate reporting, with the added experience of industry experts. Outsourcing and collaborating with different vendors allows lenders to focus on their core lending business, and think of ways to modernize such as the implementation of AI in the modernization and automation of processes, use of data analytics to identify trends and perform predictive analysis. All these can help enhance customer experience.

Trend 8: Business operations rationalization

In order to achieve economies of scale, an increasing number of mortgage lenders and servicers are undertaking operational rationalization. The pandemic has accelerated this trend. There are four ways in which lenders are rationalizing their operations:

1. Existing players expanding operations to cope with demand

- Despite layoffs and high unemployment due to COVID-19, a few mortgage companies are expanding their operations organically. This is expected to materialize in the short to medium term.
- Better.com reported a 200% increase in loan applications since March 1, 2020. The firm plans to hire 150 people per month in sales and mortgage operations and reach a total of 1,000 new employees in 2020. A company spokesperson said that the company's optimism stems from what it

sees as a competitive edge: its digital-first platform allowing applicants to lock in rates virtually instantly, versus long wait times by phone with traditional bank lenders. The spokesperson added that 82% percent of potential borrowers on Better.com don't speak with a loan officer while completing their application.

- Homespire Mortgage, a national residential mortgage, in March 2020 announced new branches in Atlanta, Georgia; Baton Rouge and Shreveport, Louisiana; and Westborough, Massachusetts.
- Stater offers mortgage as a service in the origination, servicing, and collection space to 80+ mortgage providers in the European region. They are in the process of expanding this service to other global lenders.
- Lenders are also partnering with third-party vendors to

help them cope with the rise in demand. This allows mortgage providers to cope with the sudden surge in demand.

2. Consolidation of offshore captive centers

- There are thousands of IT delivery centers in locations where costs are low and IT skills are abundant. These include India, Philippines and China amongst others, and are often fully owned, or co-owned with local suppliers, by large global companies as well as mid-sized western businesses. According to ISG research, about 40% of these centers are categorized as small, with fewer than 500 people. ISG said a lack of scale and logistical capabilities meant these centers had not been able to respond quickly to the challenges brought about by the COVID-19 pandemic, which has forced staff to stay at home. Large IT service

providers looking to expand their portfolios are likely to be potential acquirers as they have the required infrastructure.

- Technologies such as AI and RPA can be used to replace offshore employees, accelerating the consolidation efforts, according to ISG. An E&Y study revealed that over a third of businesses accelerated their automation strategies when the extent of the disruption caused by COVID-19 became clear.

3. Consolidation of operations into larger players

- COVID-19 has caused mortgage forbearance requests to rise, increasing

the stress on operations of servicers. Together with a rise in refinance applications following low interest rates, mortgage companies are stretched thin. This will result in some consolidation as strong players take over, resulting in an increase in loan transfers/servicing operations.

- According to Jane Mason, CEO of technology provider Clarifire, mortgage lenders will centralize and aggregate customer touchpoints because of the rise in volumes. Although challenged by the historic separation of origination and servicing systems, automation will help bridge them, she added.

4. Mergers/consolidation and associated challenges

- To achieve economies of scale, various banks are merging. A prominent example is Truist Bank, which resulted from the merger of BB&T and SunTrust Bank in December 2019, to become the sixth largest bank by assets in the U.S. The merger was hit by delays due to regulatory and compliance approvals. COVID-19 is also expected to delay new merger approvals.
- Pinnacle Bank and Virginia Bank have delayed their planned merger due to near-term operational challenges stemming from COVID-19.

Looking ahead

To lift their economies out of a slump, regulators around the world are expected to keep interest rates at an all-time low. This will continue to spur mortgage activity. Mortgage lenders have been slow to innovate. However, as contact centers continue to run in this work from home environment, lenders will be forced to rely on technology to meet the rise in mortgage activity, keep frauds at bay and reduce risk. Mortgage lenders are increasing the use of alternative data and advanced analytics in credit scoring to approve loans to individuals who do not have a credit history. Digital technologies including AI combined with ML and RPA, advanced analytics and cybersecurity will become central to mortgage lenders' strategy of building their business, easing origination and lowering operational costs. External partnerships will continue to gain prominence to obtain experienced digital and operational capabilities quickly. Digital transformation is essential, but to survive in the current environment lenders must also focus on supporting customers through this crisis, creating differentiated and omnichannel experiences.

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