

# case study



## A Workflow Based Loan Processing Service Helps Lender Grow Business by Leaps and Bounds

## Client

The client is a mid-sized Texas-based residential mortgage lender. With 4 branch offices and 100 employees, the client is a rapidly growing and focused loan origination and servicing company. Its goal was to make the seemingly daunting process of mortgage financing easy and enjoyable for its customers

## Requirement

With rising demand for mortgage loans, the lender was looking to ramp up funding from 500 to 1500 loans per month. However, lack of adequate resources and technology was impeding its plans. To upkeep its reputation of ensuring hassle-free loan process to its customer, the client was looking for a third-party service provider who could handle rising mortgage volumes with the efficiency needed to meet deadlines. So, the client approached us for end-to-end back office support.

## Challenges

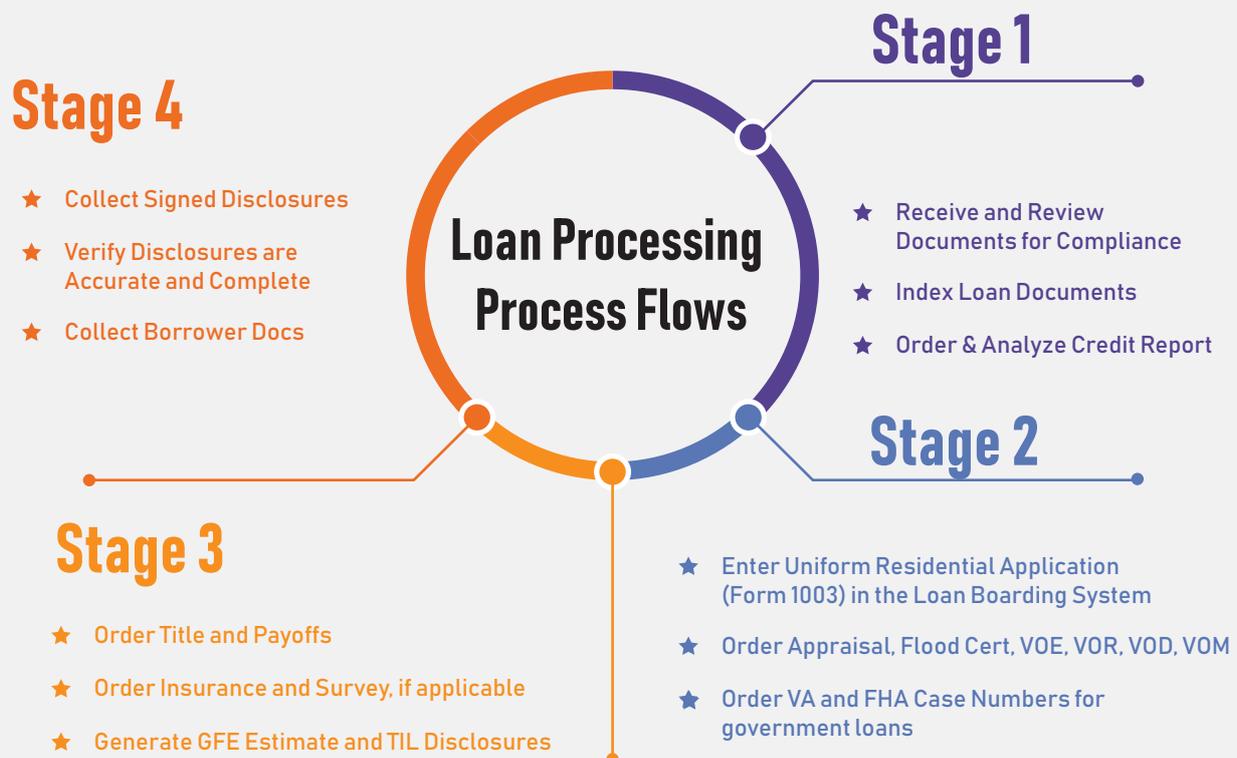
The key to creating a better customer experience for our client, lay in setting up an efficient process, that would lead to shorter loan processing cycle time. To this end, we had to grapple with the following challenges:

- 1 Gathering all documents and making sure that they comply with the loan program.
- 2 Classifying and keying data from documents received and ensuring its time efficient
- 3 Collecting the required verification and additional information on time
- 4 Inaccurate paperwork with no title or deeds
- 5 Juggling priorities due to time constraints while still providing timely and quality customer service.

Knowing that these challenges are common to loan processing, we had to carefully structure key processing tasks with an optimized pipeline management and tracking system. This, we knew, would help us mitigate delays, that can happen due to several reasons, one such being generating multiple requests for the same documents by loan officers, processors, and underwriters at various stages of the loan cycle.

## Solution

Just as in an assembly line production where each employee contributes to the final product, we wanted to set up a process where each person could complete their responsibilities predictably and accurately, so that the other person in the line gets to deal with a complete and accurate output. To ensure this, we built a process flow based on business rules so that all users in the line have the right information at the right time. The process flows we built consisted of the following steps.



# Cutting Down Delays with Robust Quality Check Setup

As errors in document review have a direct impact on loan processing costs and time. We introduced mandatory documents checklist to weed out flaws from the process. The most crucial step was to fine tune the document review process with pre-defined parameters, so that the size of the review could be reduced, and shorter turnaround guaranteed. We developed a three-tier review process with well-defined scope of work.

In the first stage, we created a check list for gathering documents. The list consisted of all those documents mandated by Freddie Mac and Fannie Mae investors. It's only after all the documents were received as per the checklist, that the file moved on to the review stage.

## Checklist Docs

- ☞ Credit history & other supporting documentation, (e.g., evidence of account payoffs, bankruptcy, etc.)
- ☞ Credit Documents (Photo ID, SS Card, Mtg Statement, Note, Divorce Decree etc)
- ☞ Loan Estimate (LE)
- ☞ HUD-1/Settlement Statement/TRID Closing Disclosure
- ☞ Uniform Residential Loan Application (Form #1003)
- ☞ Letter of Explanation (LOX)
- ☞ Property Valuation Documentation with supporting addendum (sketch, location map, photos etc.)
- ☞ Affordable Housing Program Documentation with Homeownership
- ☞ Education Certificate (FHA)
- ☞ Sales Contract - Buy-Down and/or Seller Contribution Documentation
- ☞ Condominium Project Eligibility documentation
- ☞ FEMA Standard Flood Hazard Determination (FEMA Form 81-93) or equivalent form
- ☞ Flood Certificate
- ☞ Preliminary Title Insurance Binder or Commitment
- ☞ Underwriting Transmittal Summary (Form #1008)
- ☞ Account Statements Pay stubs, W2(s)/1099(s), IRS Transcript, 4506 etc
- ☞ State and Lender Specific Disclosures

In this stage, a visual comparison of the credit report with the mortgage application was carried out to ensure all the information matches. To prevent oversight, we provided reviewers with a checklist of red flags derived from fraudulently obtained mortgages in the past. In this stage the documents were primarily verified for

- Accuracy and completeness of the origination documents
- Existence of required legal documentation
- Determining that company policies are met

It is during this stage that a simultaneous substantive review, consisting of random or discretion-based assessment of documents was carried out by review experts to monitor the overall quality of review.

The final stage of document review happened after the underwriting, pre-closing and post-closing stages. In each of these stages the document was reviewed by a compliance team for determining specific government and government sponsored enterprise representations and requirements are met.

Our quality control procedure also included creating and maintaining complete records of each mortgage file selected for quality review. The record explained in clear terms the discrepancies or inconsistencies found in the mortgage file.



# Service Highlights

01



Frequent & frisk follow-ups in gathering of documents



02



Faster movement of loans from processing stage to underwriter with legitimate information



03



Flexibility in adapting modern technologies (LOS) & accepting technical challenges



04



Analytical processing techniques to help the underwriter in getting most accurate documentation to close the deal in shorter span of time

05



Re-engineering processing workflow as per client requirement & advise expertise opinion that counter offer value added services

06



Real time response to all parties involved in the business by working in different time zones as per client requirement (PST/EST/CST/MST)

## Benefits

By setting up a rule-based system and backing it with proper quality management structure, we streamlined the workflow to ensure files fly through without having to suffer any time lags. This helped the client accommodate credit requests by leaps and bounds. As a result, the client's loan officers and relationship managers could get back into the field and pursue larger deals.

By outsourcing their requirements to us, the client was able to grow its assets from less than \$1 billion to almost \$10 billion in a year's time. Additionally, the client was able to recover on its investment within 3 months.

# About us

Expert Mortgage Assistance (EMA), a division of the Flatworld Solutions group, has over 10 years of experience in providing comprehensive mortgage support services to American lenders and financial institutions from offshore locations spread across 8 global delivery centers. We specialize in providing end-to-end support in loan servicing solutions (FHA, VA and Conventional loans) for the residential and commercial mortgage markets. Over the years we have served more than 200 lenders and financial institutions of, including two of the world's largest top-tier mortgage lenders.

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