

The next mortgage innovation: Software that can think

4 ways that lenders are leveraging FirstClose technology to get better data and faster turn times.





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The tech disruption of the mortgage industry continues to accelerate, and in a shrinking market with rising interest rates, the fate of companies is largely being decided by their ability to make things easier, faster and better for their borrowers. In this arms race, offering a superior customer experience is critical, but so is efficiency, so companies are turning to digital solutions to maximize employee productivity and save human interaction for when it matters most. It’s a delicate balancing act, and one that requires truly innovative technology.

FirstClose, a mortgage software provider, automates and enhances the loan underwriting process to give a true competitive advantage to lenders. FirstClose is first and foremost a tech company, but it employs a unique approach to solving some of the most vexing problems facing the mortgage industry. The FirstClose web app and LOS plugin not only serves as a middleware application for real estate service providers, it is also a direct seller and reseller of settlement services. In addition, the relationships that FirstClose has developed with a large number of third-party vendors gives it the insight to provide strategic vendor management. The company’s expertise is both wide and deep and it uses that expertise to help lenders excel in this very challenging landscape by delivering better data and faster turn times.

A DIFFICULT MORTGAGE ENVIRONMENT

Despite overall economic growth of 3.5% in 2018,¹ the mortgage industry is struggling to find its footing in the current housing market. Unemployment is at a historical low of 3.7%,² but wage growth has stagnated,³ and interest rates are going up. In this environment, homeowners are staying in their homes longer, deepening the scarcity of homes for sale and shrinking origination volume.

Rick Sharga, executive vice president of Carrington Mortgage Holdings, laid out the stark reality for many in the lending community at a meeting of the National Association of Real Estate Editors in June.⁴

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The situation will get worse as interest rates go up. “You have millions of homeowners sitting on a 3.5% mortgage rate. They are going to say, ‘The heck with it, I’m staying where I am,’” Sharga said.

Indeed, homeowners are now staying in their homes for an average of 12 to 13 years,⁵ stifling the ability of new homebuyers and step-up buyers to find available houses. Brad Sivert, general manager and head of mortgage at Realtor.com, said that 40% of homebuyers shopped for their dream home for more than seven months.⁴ “This obviously rolls down and impacts mortgage companies,” Sivert said.

Unfortunately, the origination outlook for 2019 doesn’t look any sunnier. The average rate for 30-year fixed mortgages was predicted to reach up to 5.1%⁶ next year, but actually hit that number by October,⁷ pushing the likely average interest rate in 2019 much higher. Meanwhile, home prices are expected to increase 6%.⁸

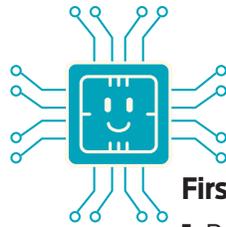
Just as homebuyers will be competing for scarce homes, lenders will be competing for those buyers. The current housing market is a perfect storm swirling around the boat lenders are in, and they need a technology partner that serves not as a lighthouse in the distance, but as an experienced crew that hops aboard and steers them quickly to safe harbor. For that kind of support, lenders need a partner like FirstClose, which has the expertise and resources to help lenders through rising waters.

A BETTER MOUSETRAP

FirstClose occupies a unique position in the industry, operating not just as a tech company that infuses products with key

features and a rich user experience, but as a direct seller and reseller of settlement services, a web app and LOS plugin and a vendor management partner.

Because of that expertise, lenders are leveraging FirstClose technology to get better, more accurate data and achieve faster turn times.



FirstClose:

1. Provides access to best-in-class providers and products in the industry
2. Streamlines the process by consolidating products and vendors onto one platform
3. Integrates with existing systems
4. Uses software that can think

PROVIDES ACCESS TO BEST-IN-CLASS PROVIDERS AND PRODUCTS IN THE INDUSTRY

FirstClose has forged strong partnerships and strategic alliances with large, nationally recognized organizations that excel in customer service, reliability, data coverage, reputation, and financial stability. Lenders who work with FirstClose can access the products and services of firms like Accenture, Clear Capital, CoreLogic, Equifax, First American, Freddie Mac, ServiceLink, Veros, and many more.

In addition, FirstClose has developed its own retail products, including the FirstClose Report, a comprehensive home equity and refi tool that compiles credit score, valuation, flood, tax and title in an easy-to-read report. Lenders using the FirstClose Report were able to reduce application-to-fund turn times by 10 days in one case study, which also showed that it reduced traditional property report costs by an average of 40%. FirstClose gives lenders the ability to choose amongst the best in the industry. It puts the lenders in control.

Lenders can also access the company’s Desktop Evaluation, which utilizes a real estate agent to do a physical inspection of the property and write a Property Condition Report (PCR). A trained evaluation specialist then uses the PCR and market data to choose the most appropriate sales comparables. The Evaluation team then uses the chosen comparables information to develop an accurate, unbiased and supported market value. Between its own products and those of its partners, FirstClose gives lenders a plethora of best-in-class options.

CONSOLIDATES PRODUCTS AND VENDORS ONTO ONE PLATFORM

FirstClose offers a proprietary software platform to deliver end-to-end lending solutions from loan application to closing. This includes many different types of Valuations and Title products, depending on the lender's preference, as well as closing and recording products, all on one solution. Using a single platform that hosts everything lenders need, in order to fulfill that loan in one place, increases efficiency, leading to faster turn times.

EASILY INTEGRATES WITH LENDERS' SYSTEMS

FirstClose has significant experience as a middleware provider. They have developed a very comprehensive Application Programming Interface (API). As middleware, the API serves as the interface or interpreter between a lender's different systems. Now with their API, FirstClose has opened a whole new world to its lenders so that there is no longer a "middle" per se. Instead, lenders can easily connect with a host of solutions.

USES SOFTWARE THAT CAN THINK

This capability is the one that sets FirstClose apart from other settlement software providers. While many LOS's use decisioning logic, it's rare to see it fully developed in the settlement space, but the advantages are many.

To deploy this feature, FirstClose initially sits down with lenders to find out how they lend money, and where they encounter roadblocks that require human intervention. After finding out what decisions are being made at these junctures, FirstClose enters that logic into its proprietary decisioning system, emulating the thinking of the underwriter.

This intelligent logic allows the software to interpret information and follow through on next steps, such as ordering the right kind of valuation depending on credit risk or choosing the correct title product based on loan amount. By automating critical parts of the mortgage process — especially in settlement services — lenders using FirstClose can save the human interaction for where it is most impactful.

CONCLUSION

In this tumultuous housing market, lenders who want to make their processes faster and more efficient, without sacrificing quality, have to rely on the expertise of trusted tech partners for success. As a result of its consultative approach, innovative software and vendor management capabilities, FirstClose is the partner of choice for many of the mortgage industry's biggest players. Not only does the company give lenders access to best-in-class providers and products, it offers them on one platform that is easy to integrate with lenders' existing systems. FirstClose has incorporated decisioning logic into its settlement services products, giving lenders the opportunity to get true efficiency without sacrificing the consumer experience.

About FirstClose *Founded in 2000 and headquartered in Austin, Texas, FirstClose provides technology solutions to mortgage lenders nationwide and serves as a middleware application that provides access to a host of national and local real estate service providers via the web or through direct integration into various loan origination systems. The FirstClose web app and LOS plugin is the first, comprehensive solution with capabilities to deliver title, flood, valuation and other important data elements in one report.*

By utilizing the latest technology, combined with aggregated volume from its national client base, FirstClose is able to offer customized solutions which increase efficiencies, reduce costs, and ultimately help lenders close more loans. FirstClose services over 250 Banks and Credit Unions while processing hundreds of thousands of transactions per year.

Sources:

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⁵ <https://www.nahb.org/en/news-and-publications/press-releases/2018/01/potential-home-buyers-sidelined-by-availability-affordability.aspx>

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⁷ <https://www.mba.org/mba-newslinks/2018/october/mba-newslink-wednesday-10-10-18/30-year-fixed-tops-5-in-mba-weekly-survey>

⁸ <https://dsnews.com/daily-dose/08-23-2018/looking-into-the-housing-market-in-2019>