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Market commentary

Bringing data-enabled validation to the mortgage borrowing experience

Account holders have slowly but steadily been letting go of traditional paper statements, instead opting for digital statements from their financial institutions (FIs) and other financial service providers. This has been a welcome trend for FIs as it helps their organizations adopt digital banking practices quicker and cuts down on spending associated with paper statement management.

The onset of COVID-19 and the ensuing branch closures clearly pushed account holders to more digital channels and the resulting impact on paper statements, and paper documentation in general, has been a decrease in usage.

FIs should seize this unique opportunity and digitize the documentation process in mortgage lending to not only decrease paper overhead but to fully utilize, and reap the benefits of, single source validation and automated data collection.

For years, the mortgage process was dependent on the traditional and outdated physical exchange of paystubs, bank statements and tax documentation. Even as FIs have launched digital portals, they are still reliant on scanned or photocopied documents laboriously uploaded by borrowers.

The advent of single source validation and automated data collection is turning that process on its head. By agreeing to engage with digital validation, homeowners and borrowers now have the luxury of easy and real-time validation, removing the need for them to hunt down and upload pesky paper documentation.

Bringing such an expedient workflow to the loan origination process requires strategic thought as to where in the process digital validation should live and what it should look like from an experience perspective. Early stage digital validation helps all parties manage their time and commitments efficiently, by validating the feasibility of the relationship. However, many FIs who have tried and true sales processes may want to place digital validation in the middle of the process, allowing the relationship to warm as part of their brand process.

This contentious approach to the relationship should also be reflected in how the user experience is configured. A FI's borrowers, the borrowers' needs and their behaviors should inform how the experience is designed and delivered.

Additionally, the FI's experience and the data collected will be driven by the inputs the data validation partners are providing. Employment records, income verification and credit scores, depending on their shape and at what milestone they enter the process, can drastically affect the outcome, borrower experience, and overall speed of the process.

After deciding on the inputs and desired output, it is important for FIs to ensure their borrower-facing teams are trained and excited about the data validation process. Their buy-in will largely determine the success of each interaction as well as the totality of the endeavor.

While critical to the innovation and success of the mortgage industry, secure data validation transformation is a complex process with many considerations to be made to third party selection and integration, data models, borrower experience, and employee training.

For maximum chances at success, FIs should look for open API-enabled platform partners with managed services to ensure they are putting their best foot forward toward the future.

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