

Market Commentary

A mortgage boom is coming: how technology can help lenders meet the moment

Interest rates are moderating and inventory is slowly building, which means the time is right to invest in automation tools that will give you a competitive edge

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Harnessing the myriad digital transformation levers can enable organizations to re-invent mortgage origination, streamlining processes, enhancing agility, reducing costs and unlocking further innovation."

Neelesh Pal

Vice President, Sourav Dutta,
Lead Consultant, WNS

The last five years have presented many challenges for the mortgage industry, with rate dynamics, supply constraints, and regulatory considerations upending the borrower experience. As inflation continues to ease, rate dynamics are especially top of mind for both lenders, homebuyers, and homeowners hoping to refinance.

Recent interest rate cuts, combined with the potential for additional reductions, have sparked an increase in mortgage applications and a significant uptick in homeowner refinancing. According to CNBC, mortgage refinance demand surged by 20% in just one week late last year, a trend expected to continue.

However, many financial institutions (FIs) are unprepared to meet this surge, and with borrowers expecting the same level of speed and efficiency with their loan applications as they see in other moments throughout their day-to-day lives, changes are needed. FIs haven't been closing as fast as they should be, but with the right systems in place, they can rise to the occasion when the flood of both new and refinance applications inevitably come in.

About the author



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Mary Kay Theriault is senior director of product management for Mortgagebot at Finastra, where she is responsible for the strategy and direction of Finastra's industry leading mortgage solutions. With more than 20 years at Finastra, Theriault brings comprehensive mortgage lending knowledge and industry expertise to the role.

Technology resolves a staffing dilemma

One of the main reasons for this challenge FIs face comes down to personnel reductions. When mortgage rates are high and application volume is low, many FIs make the difficult decision to eliminate several back-office roles, which in the long term can create operational challenges as rates inevitably come down. Automation and other technological investments are key to preventing this cycle of laying off, then hiring back, then laying off again as economic circumstances change. These investments also help FIs streamline processes, reduce closing times, and improve overall efficiency.

To meet the anticipated surge in both new loan and refinancing demand, FIs need to adopt advanced systems and automation tools. The first step is to automate preapprovals. Borrowers often lose out on an offer because their preapproval is no longer valid. With automation, these preapprovals routinely update, giving borrowers peace of mind during the early part of their homebuying journey.

// **Technology can help mortgage professionals execute a strategy at scale. This means automating strategic engagement, while also adding guardrails and reminders around manual actions that should be taken."**

Spencer Dusebout
CEO, Aidium

Solutions such as loan origination systems (LOS) and digital mortgage platforms are helping financial institutions process financing requests more swiftly and efficiently. These digital innovations support faster and more effective service, addressing both borrower expectations and operational demands.

Many FIs utilizing certain LOS solutions report that these tools provide a 69% increase in online application completion, significantly improving application processing times and cost efficiency. Completed applications flow seamlessly into the LOS, where they're processed end-to-end, including closing, imaging, and secondary marketing.

Integrations accelerate time to close

In addition to a comprehensive LOS, solutions that embrace Open Finance and connect to other fintech partners offering eClosing technology create collaboration opportunities that can further transform mortgage closings and enhance borrower satisfaction. Eclosings save time and effort, eliminate laborious manual tasks, slash the cost per loan, and ultimately streamline the closing process.

This type of integration combines eClosing technology with data-driven origination workflow automation that generates compliant loan documents, facilitates borrower eSignatures, and enables remote online notarizations. By combining these technologies, FIs will be well-positioned to take on increased volume and deliver an enhanced customer experience.

AI will revolutionize mortgage lending

Artificial Intelligence (AI) is now a major factor in lending automation as well. When developing strategies for 2025 and beyond, it is imperative that FIs view AI not just as something to consider in the future, but as something to embrace now. Origination costs banks thousands of dollars per mortgage, emphasizing the need to push more units through fewer team members from origination to close.

When productivity is increased through AI, cost is reduced, efficiencies are created, and new avenues for automation emerge. When AI handles more tedious operational tasks, team members can focus more on strategic priorities, complicated loan requests, and the human side of banking. This is an area to watch in the coming year as tech companies offer more AI tools that further improve the mortgage process.

To expand on the human side of banking, it is important that FIs never forget the importance of delivering the personal touch of financial services and combining it with a technology stack that meets borrower demand for speed and efficiency. Technology is constantly evolving and improving, but the need for human interaction has not disappeared. While borrowers desire speed now more than ever, they also look for educational resources and want to trust their lender. As more FIs are investing in automation and new technology, it is crucial that teams meet the unique needs of the communities they serve.



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By learning borrower stories, understanding their backgrounds, and building rapport with key audiences, FIs can cement their status as the lender of choice when compared to alternative and emerging players in the market.

The recent surge in mortgage applications and refinancing has highlighted the need for financial institutions to adapt and modernize their processes. Those who invest in automation and digital solutions are better positioned to meet current and future demands effectively.

Especially today, modern borrowers expect swift, digital-first experiences, making automation critical for meeting satisfaction and retention goals. Technology can bridge the efficiency gap, allowing institutions to deliver on both operational and account holder service expectations even under increased demand. By embracing digital innovation, financial institutions not only meet immediate refinancing demands but also strengthen their market positioning in an increasingly competitive landscape.

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About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit finastra.com

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