Robotic Process Automation

Why Lenders Need to Take Notice

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Robotic Process Automation

Automation

/ɔːtəˈmeɪʃ(ə)n/

noun

The use or introduction of automatic equipment in a manufacturing or other process or facility.

Robotic Process Automation (RPA) is an advanced form of business process automation that is governed by business logic and structured inputs. RPA scenarios can range from simple tasks such as the dispatch of automated emails to advanced multi-step ones such as data quality check that involves the analysis of line items included in an excel sheet.

But, Where is the Robot?

In the term RPA, the word 'robotic' has been the subject of confusion for many people. This comes from our understanding of a robot as a machine that is programmed to make tasks easier for humans. RPA, on the other hand, is all about software, through and through. Simply put, RPA is a software package that is configured to run another software application, usually an enterprise-grade application to achieve predetermined results.

"A Robot is a machine resembling a human being that can replicate specific human movements and functions."

R	P	A
ROBOTIC	PROCESS	AUTOMATION
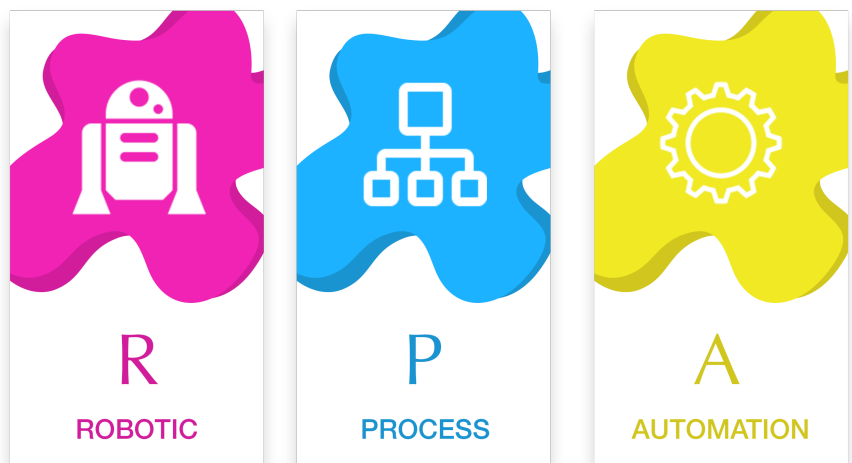
Based on the definition above, the software suite that runs predetermined tasks on a software application becomes a 'software robot' or a bot. These bots are capable of closely mimicking human-computer interactions to carry out tasks consistently with metronomic precision, high volumes, and impeccable speed.

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RPA is mainly used to automate some of the most mundane and repetitive, computer-based tasks and processes in a business environment. Think of copy-paste, file moving, data extraction, data validation, flagging for missing information on application fields etc.

To leverage the potential of RPA, business processes require the following four basic criteria:

1. Rule-based
2. Well defined inputs and output
3. Repeated at regular intervals or must have a predetermined trigger
**4.** Sufficient volume for RPA use to be justified

The following are some more complex tasks that these bots are capable of accomplishing:

- Connect to system APIs
- Copy and paste data
- Move files and folders
- Open emails and attachments
- Scrape data from web browsers
- Make calculations

RPA for Mortgage - A Match Made in Heaven?

The mortgage industry is well known for its process-intensive workflows that also require the involvement of multiple players such as loan officers, underwriters and loan processors. These routine processes are the ideal candidates that can be made more efficient by transforming them with the speed and accuracy of RPA bots.

Combining this with the interest of mortgage lenders to implement solutions that are effective at impacting the company's objective in a big way, RPA represents an incredible opportunity for lenders to change the way they work, from the ground up.

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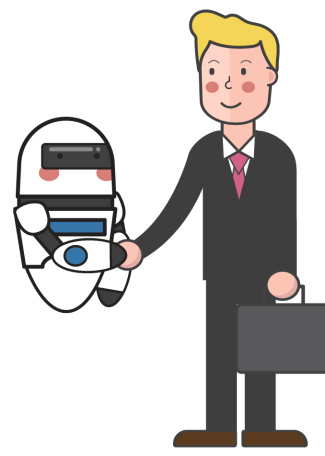
The standard mortgage loan approval process comprises the following steps:
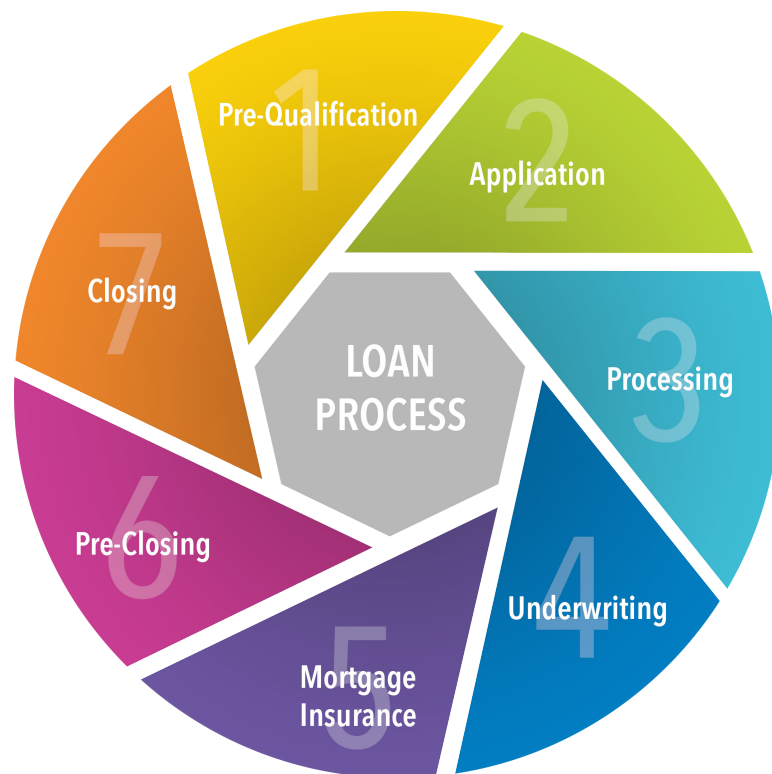
Each one of these processes in the diagram above comprises hundreds of routine tasks that are riddled with dependency on people. RPA solutions for mortgage processing optimizes this workflow, reducing the conventional industry average of close to two months into just over a few weeks.

"This translates to a staggering 75% faster loan approval turnaround times!"

The use of RPA reduces close to 30% of an underwriter's time as well.

Despite the apprehension, from financial institutions and private mortgage lenders, RPA bots are set to become the new operational standard for the mortgage loan approval process. As they continue to become better in functionality and computing capabilities, lenders who choose to fall back on a manual mortgage loan approval process risk losing traction to the ones who have adopted the use of RPA.

RPA is here to stay, because:

▶ It can deliver 100% accuracy in data validation and risk and compliance reporting
▶ It can reduce loan approval times by 75%
▶ It can achieve close to 95% reduction in the average handling time of a loan
▶ It can deliver 60% improvement in loan processing capacity of a lender

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Here's What RPA has in Store For Lenders

"Are you a lender who is currently feeling the pressure of stiff competition and rapidly shrinking margins? You need an efficient, scalable and cost-effective operational model. Time to think RPA!"

The scope of RPA in the mortgage loan approval process is so diverse that it can be used to improve the speed and efficiency of almost all the core elements of the process:

Mortgage Loan Processing

Loan processing begins with the collection and verification of borrower information. Mortgage loan application forms such as W-2 and 1003, capture several bits of information including the financial information of borrowers, Social Security Number (SSN), income tax and wage statements and more. Any errors or missing information in these forms can lead to unpleasant consequences for the lender, ranging from denial of the mortgage loan by the underwriter to foreclosures and lawsuits.

RPA solutions from Independent Software Vendors (ISVs) and software development organizations can sequence the order of lender operations according to their perceived business goals. Using RPA solutions, lenders can ensure the completion of all the required fields in the application process, thereby reducing the risks arising from missing and inaccurate borrower information. The system can also be calibrated to flag missing information or scout for blacklisted loan portfolios by performing a credit check on the Loan Origination System (LOS), also updating it, in the process.

Mortgage Underwriting

Tasks like the Mortgage Electronic Registration System (MERS) verification are paramount to the completion of the underwriting process. Such tasks can be completed seamlessly using RPA bots. Automated MERS checks are performed by training the bot to collect and compile customer documents like credit check reports, income statements, tax return statements. Once it logs into MERS, it can validate the data extracted by it in the loan application process. This vastly improves the quality of the underwriting process whilst reducing the total turnaround times of the task.

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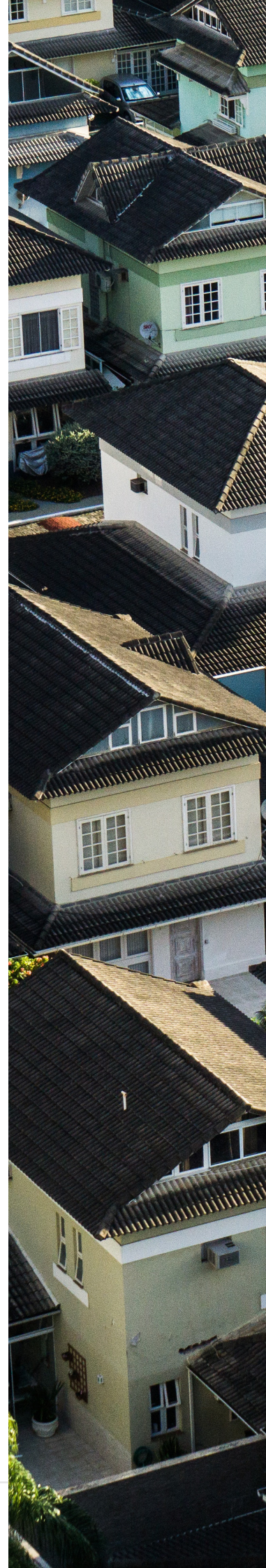
RPA also plays a major role in improving the efficiency of the underwriting process by reviewing the quality of borrower document information such as credit check reports, income statements, tax return statements before the loan file is submitted to the underwriter.

Mortgage Appraisal

Property appraisal is a critical step of the mortgage loan approval process since it ensures that the lenders do not finance a loan amount that exceeds the actual value of the property. Customized RPA implementations enable lenders to order appraisals, assimilate appraisal fees, perform appraisal follow up notifications and schedule fresh appraisals based on the progress of a loan file in the loan approval cycle. With this, the lender can achieve faster appraisals with close to 100% reduction of errors in the process. RPA bots can also validate property information based on a predetermined checklist created by the loan processor as a reference point before the originator dispatches the loan file to the appraiser.

Mortgage Loan Closing

From the calculation of escrow amounts to the auto-generation of the closing disclosure, RPA bots can completely fulfill all loan closing duties without the need for manual interventions. Checklist based data validation techniques, allow the various departments of a lender's organization to keep track of the overall progress of a loan. This heightened sense of coordination can help lenders reduce the total turnaround time of the loan closing process by up to 80%.

Implementing RPA for Your Mortgage Loan Approval Process

The high cost of implementation and the time involved in its completion is usually the cause of the initial apprehension from lenders when it comes to adopting RPA. But a standard set of practices will ensure that you get the best bang for your investment as a lender.

Here are some points for lenders to consider and for service partners to remember during the implementation process.

Prioritize Use Cases
Choose processes that are deterministic and rule-based. This will quantify the value that RPA capabilities can drive, enabling you to achieve small wins like the reduction of the total time taken in document processing, indexing, and interpretation.

Realistic ROI Expectations
Every investment made in technology must be linked to a Return on Investment (ROI) expectation. But lenders must set realistic ROI expectations. The break-even time in the current industry climate ranges from 6 months for standard processes to 2 years for complex ones. The ROI expectation must not be a burden for your service partner. At the same time, the investment made must be justifiable to all your stakeholders..

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Establish a Robust Governance Structure

A well-rounded administration structure to manage a successful RPA implementation comprises of design, development and bot implementation guidelines. It should also contain a framework to accommodate change management, to update the technology as well as the ability to track performance and productivity metrics.,

Choose Service Providers Wisely

RPA platforms are always equipped to handle almost all standard automation scenarios that involve document screening and form filling functionality. The more complex scenarios like self-learning capabilities incorporate cognitive and predictive abilities require more components such as cloud storage, data extraction features, real-time data analytics and more. A technical partner that has an illustrious track record of successfully implementing innovative RPA components for lenders will be able to save implementation costs by reusing technology components without compromising on quality and performance of the project

Enable Strong IT Support

The most common reason behind the failure of an RPA implementation is the lack of harmony between the business and the IT functions that it is supported by. When this mismatch begins to get bigger, lenders tend to lose track of why they chose to adopt the technology in the first place. Continued support and monitoring of the entire system's performance are paramount to the success of an RPA project.

In Conclusion

In the current industry climate, RPA is the ultimate, "do more with less" solution, which is why it is coming under the scanner of more and more lenders, leading to increased adoption.

However, bots may not be adequate for your business needs in the long haul.

Integrating analytics, Artificial Intelligence (AI), and Machine Learning (ML) may pave the way for the transformation of your mortgage loan approval process in the future, if not now.

The improvement in process turnaround times and accuracy of loan processing provided by RPA greatly helps in streamlining the mortgage loan approval process.

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Get in Touch

Be a part of the digital disruption by seeking out the ideal technical partner.

Process optimization and organizational growth continue to be the long-term goals of most mortgage lenders today. In this long journey towards process excellence, and operational cost optimization, an experienced technology partner with a proven track record of making a real-time business impact on their clients is critical to the success of your business direction.

Speak With the Experts

About Us

Think Simple. Build Powerful

That's not just a philosophy, it's our way of life. We are determined to meet your needs and expectations by delivering simple solutions; solutions that would help you derive meaningful insights and better outcomes for your business.

Contact Us

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