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MORTGAGE OPERATIONS REVIEWS - CASE STUDY

In Brief

- A bank wanted to consolidate the mortgage lending operations of their affiliate banks into one unit to gain greater efficiencies, grow their production capabilities and reduce overall costs.
- Indecomm conducted an operations' assessment to identify the best action steps to achieve the desired results.
- The bank took swift action to implement most of Indecomm's recommendations which put the bank on the path for ongoing growth and overall costs reductions.

Client Information

Indecomm's client is a mid-west regional bank with retail, wholesale and correspondent lending channels. They also maintain a servicing portfolio.

Background

The bank receives 50 percent of their $1 billion in annual production from correspondents and the affiliate banks are responsible for most of the third-party originations. The bank's servicing portfolio is $3 billion and most of the loans are serviced for Fannie Mae.

Problem Statement

- The bank found it difficult to assimilate the affiliate bank's mortgage operations into one operation due to different systems, different investors and different workflow processes
- The bank's strategic initiative is to double loan production volume and double the servicing portfolio within three years while reducing the cost of originating and servicing loans
- Senior management was concerned about the capabilities of many middle managers to affect the changes necessary to grow the operations while maintaining adequate controls and operational efficiencies

Solution Summary and Key Benefits

- Indecomm performed an onsite review of the bank's mortgage production and servicing operation. The review included an evaluation of processes and procedures, staffing, controls, systems, financial management reporting and relevant support functions
- Indecomm interviewed senior management and key managers and supervisors in each functional area of mortgage production and servicing operations to assess their capabilities and gather information on lending operations and mortgage banking opportunities and problems

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- Indecomm evaluated the loan origination and servicing systems as set-up and used by lending and servicing personnel to understand the ability of the systems to support improved procedures and workflows

The Results

- Indecomm found numerous operational deficiencies. Some of the defects posed a regulatory risk to the bank and needed immediate corrective action due to exposure to potential fines and sanctions from regulatory agencies. The bank implemented controls recommended by Indecomm to minimize regulatory non-compliance
- We identified non-standard settlement practices and inefficiencies in operating processes which increased costs incurred by the borrower and the bank
- Indecomm determined that a high percentage of secondary marketing losses were due to critical reoccurring documentation and data integrity errors that were not being identified and corrected prior to closing. The bank took most of Indecomm's suggestions and implemented revised processes and additional controls to reduce the data and document exceptions
- We identified internal conflicts within operating groups, which impeded the Bank's ability to achieve goals and expand opportunities. Bank management took action to terminate managers and supervisors that did not demonstrate the ability or willingness to affect improvement changes
- Indecomm recommended relatively minor system enhancements to improve process controls with a recommended longer-term initiative to upgrade to a more robust loan origination system to accommodate growth plans
- We outline a transition plan to fold the affiliate banks' mortgage operations into the bank's platform. The bank implemented the plan once key improvements were made to their mortgage operation

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