

Leveraging eClosings to Effectively Manage Increased Loan Volumes



Capitalizing on Increased Loan Volumes With eClosing

The Federal Reserve’s response to the COVID-19 pandemic has led to record-low interest rates. Borrowers were quick to take advantage at the outset and have been refinancing in droves since March 2020. The momentum continues months later as mortgage rates drop further. Early August saw the average rate for a 30-year, fixed-rate mortgage plummet to 2.88% for the first time in the nearly five decades since Freddie Mac’s Primary Mortgage Market Survey began.¹

Lenders who lacked an effective digital mortgage strategy at the time the surge struck were ill-equipped to manage the refinance boom. To stay on top of refinance and new purchase volumes, lenders need technology that enables loan teams to work as efficiently as possible. One aspect of the mortgage process particularly ripe for optimization is the loan closing. Evolving from traditional closings to hybrid closings to full eClosings can help lenders process more loans at a faster pace without overwhelming their resources. A well integrated eClosing solution is key to a successful transition.

This white paper explores the current state of the market, the efficiency gains lenders can achieve with eClosing and how the SimpleNexus eClose solution helps lenders capitalize on spikes in demand by maintaining business continuity and effectively managing every loan in the pipeline.





A Year of Unprecedented Loan Volume — With No End in Sight

Refinance activity has surged compared to the same period last year. For the week ending August 7, 2020, the Refinance Index was 47% higher than the same week in 2019, according to the Mortgage Bankers Association (MBA).²

The current low interest rates are also fueling an increase in loan origination volume in the purchase mortgage market. Data for July 2020 reveals a 39% increase in mortgage applications for new home purchases compared to the previous year, according to the MBA's Builder Application Survey.³

A low inventory of homes for sale has driven up property prices and led to increased buyer competition.⁴ Lenders nationwide have reacted to these market changes by tightening credit. The average FICO score for all closed loans jumped from 742 to 749 between March and April 2020 and continues to increase month-over-month, according to Ellie Mae's Origination Insight Report.⁵

With no end in sight to record low rates and the increased loan volume, lenders must leverage technology to effectively streamline workflows and accelerate time to close.

The Case for eClosings

Digital closings are not new in the industry, but their adoption had been sluggish to this point due to legislative barriers and uneven stakeholder acceptance. The gradual shift from traditional to digital closing workflows has been accelerated by the social distancing requirements brought on by COVID-19. Those who had already adopted eClose technology were able to make a smooth transition to a remote work environment and manage the surge in volume.

The move to digital closings is not a fleeting trend, and those who do not quickly adopt the technology will lose business to borrowers who expect a more convenient experience from application through closing. Lenders stand to gain many benefits from the transition as well.

There are many factors that make eClosing more efficient than its traditional pen-and-paper counterpart. eClosing solutions remove human intervention where it's not required, thereby reducing errors and inefficiencies. Paper records and mailed packages are also eliminated, facilitating quicker signings and document delivery. The technology aids lenders in processing a higher quantity of loans at a faster rate, more securely. All of these process optimizations add up to reduced origination costs.

How SimpleNexus eClose Helps Lenders Capitalize on Spikes in Demand

SimpleNexus eClose facilitates business continuity now and in the future by offering lenders a single, flexible closing solution capable of handling every loan in the pipeline. Its built-in support for both purchase and refinance scenarios skillfully manages the differences between both loan types. A deeper look reveals how the SimpleNexus eClose solution improves the holistic closing experience through efficiency, flexibility and security.

Efficiency

Borrowers' preference for digital solutions was on the rise even before the pandemic increased the need for technology-facilitated transactions. Ellie Mae's 2019 Borrower Insights Survey compared the preferences of borrowers who took out a home loan within the last two years to those who did so three to five years ago. Results showed that the more recent borrowers expressed a stronger preference for digital services over traditional methods during each stage of the mortgage process.⁶

SimpleNexus eClose delivers the seamless digital experience that borrowers have come to expect and prefer as part of a single-platform experience that spans the entire homebuying journey. Through a single UI branded to the lender, borrowers are able to navigate each stage of the home buying journey without logging into a different platform. Whether they choose to access SimpleNexus via web portal or native mobile app, borrowers can manage their home search, mortgage application, document uploads, disclosures and closing tasks using one login.

By giving borrowers more control over their experience, loan officers are able to recover time normally spent requesting documents, reminding borrowers to sign disclosures and the like. The SimpleNexus native mobile app takes this work off of lenders' hands and uses push notifications to help speed up the process. The notifications alert borrowers to status updates as well as actions that need to be taken throughout the mortgage process. SimpleNexus has found that these digital nudges improve response rates by 67% compared to emails and phone calls, making the approach significantly more efficient.



SimpleNexus eClosing also includes a dedicated portal for streamlined collaboration between mortgage closing teams and settlement agents. From the portal, settlement agents can access packages, upload additional items to the package and prepare documents with signature points. Additionally, ink-signed documents can be printed by the settlement agent prior to the note date to prepare for the closing ceremony. The personal dashboard gives settlement agents time-saving tools and improves the efficiency of communication throughout the closing process.

SimpleNexus' back-end integrations, including integrations with the industry's leading loan origination system (LOS) providers, improve the lender's productivity as well. Lenders are able to stay within their core software while leveraging bi-directional syncing capabilities that automatically push data to the final repository in the LOS for added time savings and information integrity.

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Flexibility

SimpleNexus currently supports hybrid digital closings for both refinances and purchases. Full eClose capabilities coming soon to the platform include:

- In-person electronic notarization (IPEN)
- Remote online notarization (RON)
- Knowledge-based authentication (KBA)
- Audit logging
- Notary capture with data logs and RON webcam videos stored for life of the loan
- Tamper-sealed documents
- eVault and eNote partner support

A variety of partner integrations allows lenders to maintain their current tech stack without disrupting existing processes. This includes integrations with CRMs, LOS providers, RON technology, credit reporting systems, product and pricing engines and more — all configured inside SimpleNexus for a convenient, single-portal experience.

These multifunctional abilities are what make SimpleNexus a collaborative platform, designed not just for lenders, but for every stakeholder involved in the closing. This includes the borrower, loan officer, loan officer assistant, real estate agent (or other partner), processor, underwriter, settlement agent and closer.

Stakeholders can shift between working in the native mobile app, available on both iOS and Android, and in the web portal, at any point in the loan process. The seamless experience enables stakeholders to use their preferred device, with complete feature parity, throughout the loan lifecycle.

Security

SimpleNexus uses the latest security protocols to protect sensitive data and reduce fraud risk. Its secure mobile and web apps require passcode or biometric authorization, don't store sensitive information locally and employ TLS1.2-only encryption from first-page load to browser close. Data storage, transfer and backups are protected with AES256 at-rest and real-time encryption, firewall technology and multi-layer alerts for critical possibilities. The company also conducts periodic vulnerability testing with third-party vendors, among other security protocols.⁷

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Conclusion

The dramatic effects of the COVID-19 pandemic on businesses and the mortgage industry have underscored lenders' need to implement technology that supports business continuity. Lenders who invest in an eClose solution will be better equipped to manage a digital pipeline of refinances and new purchases, as well as capitalize on spikes in demand.

The SimpleNexus eClose facilitates a smoother digital closing and integrates a lender's tech stack onto one platform. Its multifunctional abilities allow stakeholders to work collaboratively and provide the speed and transparency that borrowers want and expect in the digital age. The efficiency gains that lenders achieve ultimately help them process more loans, speed up time to close and reduce overall costs.



Sources

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