Digital labor is transforming the mortgage business model

Are you ready?
In the mortgage industry, we count on change.

Today, the industry faces a number of challenges that weigh on profits, from competition for market share and higher customer expectations to regulatory changes, slower growth, and rising loan servicing costs. Mortgage lenders and servicers are eager to find technology advances that address these challenges without sacrificing quality or service. Digital labor is one such advance, offering the opportunity for mortgage organizations to radically reduce operational costs, while at the same time, providing a better experience for borrowers. And KPMG LLP is among the leaders in defining how the mortgage industry will be transformed by digital labor.

Since the 1980s, mortgage lenders and servicers have outsourced back-office and other routine tasks to domestic or offshore outsourcers as a cost-saving strategy. While outsourcing has helped reduce costs to a certain extent, it has not led to a level of operational efficiency that can be maintained long-term. Labor costs in many top non-U.S. outsourcing locations are accelerating, while digital labor is getting better, faster, and cheaper. Automation minimizes the scalability challenges associated with a human workforce. It also delivers much greater levels of quality assurance through full population testing with errors quickly identified for rapid investigation and resolution.
A number of unprecedented industry challenges have highlighted the value of agility, data, and digital capabilities as critical attributes for lenders to employ in positioning themselves to compete for clients with an evolving set of expectations.
By automating the right tasks, mortgage lenders and servicers can achieve several benefits.

**Productivity/Performance** – Software robots work 24/7, 365 days a year; do not take vacations, get sick, suffer from work/life balance issues; and perform tasks at digital speeds.

**Employee satisfaction** – Eliminating the mundane repetitive tasks allows employees to focus on strategic initiatives, thereby impacting the business in a more profound way and experiencing more job satisfaction.

**Scalability** – Software robots scale instantaneously at digital speeds to respond to fluctuating workloads. There is also no overtime, no hiring challenges, no training and no severance.

**Consistency/Predictability** – Software robots do not make inconsistent decisions or elect to “turn right” one day and “left” the next. They are configured to solve a problem the same way every time.

**Quality/Reliability** – Software robots always do what you tell them to do – when properly configured they do not make mistakes and thereby eliminate human error.

**Auditability** – Software robots can keep the perfect audit trail—the software log—a file built by the software that documents every action it took and the corresponding resulting outcome.

**Cost efficiency** – Estimates thus far show a software robot is approximately one-third the price of an offshore full-time employee (FTE), and about one-fifth the cost of an onshore FTE. Digital labor savings are estimated to be between three and ten times the cost of implementing the automation.
Applying digital labor to mortgage

KPMG professionals can help you identify high-value digital labor opportunities. By analyzing the intersections between frequent customer complaint areas, manually intensive processes and common process failures, we can find the places to start your digital labor journey.

**Opportunity Identification**

The intersection of most common process failures, customer complaints, and manually intensive processes represent a natural starting point for mortgage and lending institutions to focus their digital labor transformation efforts.

**Customer complaints**
- Loan modifications, collections, foreclosure, $51\%$
- Loan servicing, payments, escrow $33\%$
- Application, originator, mortgage broker $8\%$

**Process failures and MRAs**
- SCRA
- Flood
- Credit Bureau Issues
- FDCPA
- UDAAP
- Forced Placed Insurance

**Manually intensive processes**
- Application processing
- Customer service
- Compliance testing
- Default management

Concentrate on biggest wins

Potential use cases by class

**Class 1: Basic Process Automation**

1–2 months*

**SELECT USE CASES:**
- Repeated/High Volume Customer Service Requests through Call Center and Physical Locations (i.e., TILA/FCRA – Customer Complaints)
- One time static “set-up” situations (i.e., Set Up Payment, Account Closing, Change Address, Change Account Details)
- Dual access point situations for customers or clients (i.e., Omnichannel, TCPA/FDCPA/UDAAP – number of attempts to contact and cell phone contact)
- Repeateable validation and audit requirements (i.e., Bankruptcy/Proof of Claim/Motion for Relief, Fees)

**Class 2: Enhanced Process Automation**

3–4 months*

**SELECT USE CASES:**
- Worldwide multi-country data capture and reference (i.e., KYC EDD, Negative News Checks)
- Structured Data Ingestion (i.e HMDA / HMDA Plus, DOl, Proposed TRID Changes, Proposed FDCPA Changes, Proposed GLBA Changes)
- Mid-complexity multi-process activities with structured data sources (i.e., Flood, Bankruptcy, SCRA, Default Management, Collections Litigation, Complaints Management (e.g., Reg Z, Reg E), Foreclosure/Short sale/Repossession, Compliance Call Monitoring)
- Repeated manual activity for validation and compliance (i.e., Compliance Test Validation, Reg W Affiliate and Covered Transaction Identification – Collateral Assignment)
- Structured question and response (i.e Debt Collection)

**Class 3: Autonomic/Cognitive**

5–6 months*

**SELECT USE CASES:**
- High unstructured data inputs from various sources (i.e., CCAR Data Lineage to Imaged Loan Files, KYCC for Global Billing, Commercial/Corp Client On-Boarding, Regulatory Change)
- Predictive forecasting against multiple situations (i.e., Model Risk Stress Testing, Liquidity Mgt, Balance Sheet Predictive Reporting, Deposit Pricing, Ability to Pay)
- Enhanced surveillance and monitoring with unstructured variable changes (i.e, Trade Surveillance, Fraud and Security Surveillance, Reg W Monitoring of Collateral Requirements – Quantitative Limits/Market Term Valuation and Pricing Execution for Intercompany Agreements)
- Probabilistic situations for strategic decisions (i.e M&A Analysis, Competitive Product Rollouts, Client or Customer Attrition Scenarios, Credit Risk Analysis on Portfolios – Buy/Sell Side)

* Average implementation timeframe

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Getting started

Skilled KPMG professionals work with mortgage lenders and servicers to help them integrate people and machines to create a competitive advantage. We combine our real estate finance and compliance knowledge with technology and mortgage industry experience to help our clients implement standard software or build custom robotics platforms.

KPMG’s deep mortgage domain and digital labor experience gives us perspective on where and how to drive value for mortgage operations. We recommend an opportunity analysis phase to develop a tailored set of digital labor initiatives that are prioritized based on return on investment (ROI), so that we start fast while building momentum and capacity for sustained program investment.

As an alternative, rapid delivery of a discreet pilot can be an effective starting point where establishing greater organizational buy-in is necessary, or as a natural next step following the opportunity assessment.

Opportunity Assessment

Tackle a major processing area for systemic improvement.

Conduct process efficiency review to identify high value automation opportunities

Develop a transformation roadmap and supporting business case

Recommend technology solutions and vendors

Pilot

Start small and learn as you go, building experience and intelligence as you mature.

Initiate digital labor pilot addressing an identified high value process or begin with a KPMG recommended high potential process (e.g., Quality Control functions, and Compliance testing)

Leverage pilot results to promote continued investment and to begin the internal collaboration necessary for establishing a sustained capability

KPMG is positioned to help you transform your operating environment through digital labor capabilities. We have seen clients achieve 40% to 70% cost take out for relevant functions, a dramatic quality improvement and increases in operational scalability.
The value of working with a KPMG team

**Specialization:** We have a thorough methodology to assess robotic and cognitive needs, analyze ROI and identify technologies and vendors.

**Knowledge:** KPMG professionals know the mortgage industry and digital labor. KPMG firms are leaders in the industry in mortgage advisory with over 80 skilled professionals who have a unique combination of practical mortgage industry experience and business transformation know-how.

**Hands On Technology Experience:** We have over 60 regulatory models in production with another 50 in development.

**Extensive Internal Investment:** KPMG firms have 2500 dedicated digital labor professionals globally and 90 PhD data scientists in the United States.

**Compliance:** We work together with our Regulatory Compliance practice to deliver holistic compliance solutions as one team.

**Collaboration with leading technology providers:** KPMG firms have helped our clients architect solutions and identify & deploy many of the industry’s leading tools.

**Award-winning platform:** Computerworld recently recognized KPMG’s digital labor automated platform with a Data+ Editors’ Choice Award. KPMG earned the recognition based on its use of digital labor to help financial services institutions manage the massive amount of data needed to comply with new regulatory requirements.

“We have taken natural language processing, big data, machine learning and robotics and applied them to solve real-world problems for our financial services clients.”

– Michael Henry, Advisory principal, KPMG LLP
Taking the first step

KPMG professionals are ready to help guide you as you get onboard with digital labor. We offer tools and services that will enhance your experience with a digital workforce. While working to streamline your operations and cut costs, we will also help you offer improved service to borrowers.

With our previously mentioned award-winning platform, hands-on technology experience, access to KPMG’s regulatory compliance team and our deep industry knowledge, we can assist you in transitioning into the digital world.

Reach out to one of our digital labor professionals to get started.

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