



KPMG perspectives on delivering digital mortgage solutions



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The challenge

Banks and other lenders are working to provide clients with a digital experience for their home-buying needs, but many need help implementing a true end-to-end digital operating model.

Key factors driving change in the residential lending market



Customer expectations have changed – customers expect end-to-end experiences when it comes to key life events, such as car buying, education, and home buying.



Market dynamics are shifting – Origination volume and fee income are declining. In fact, origination volume has declined approximately 30% since the post-crisis peak in 2012.*



Technology is evolving rapidly – New, modern architectures and platforms are enabling new capabilities while also accelerating the pace of delivery.

Profitability is being pressured – As production costs continue to increase, back-office inefficiencies are adversely impacting costs and agility. Operations are under pressure to improve performance. The average cost to produce a loan reached a record high of \$8,957 in the first quarter of 2018, according to the MBA.



Increased focus on compliance and quality – Compliance is no longer simply responding to audits. Lenders are required to adhere to an ever-growing list of regulations and need to demonstrate a clear risk profile as well as automated monitoring and reporting to identify corrective actions.



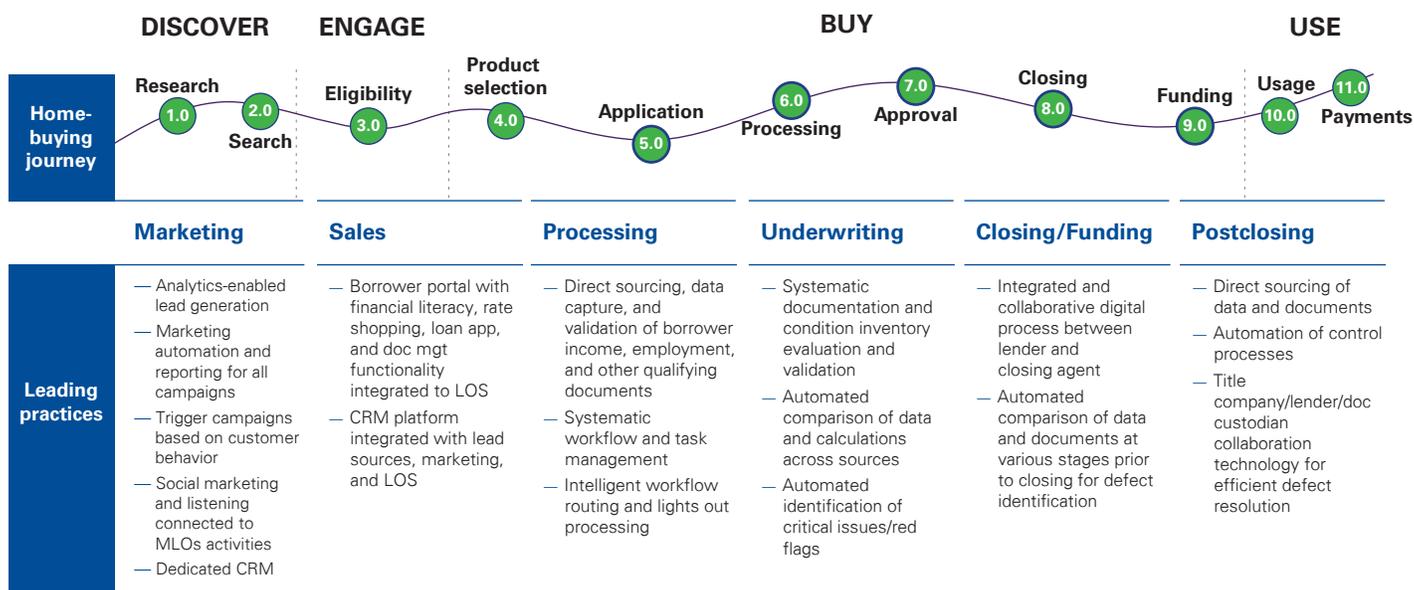
What is a digital mortgage?

In the past, the definition of a digital mortgage varied considerably across the industry. Today, most companies realize that it's not just about having an online application on your Web site, nor is it simply offering an e-closing. Although automating the borrower application and the closing process is part of the digital mortgage experience, at KPMG we believe the definition needs to be expanded to include the automation of every step throughout the entire loan process. We define a digital mortgage as a holistic experience for the borrower, starting with targeted marketing and lead generation to the initial application to processing to underwriting to closing and beyond with postclose audits and marketing.

* Mortgage Bankers Association



What does it take to deliver an industry-leading, customer-centric, and integrated digital mortgage experience?





The opportunity

The benefits of a digital mortgage

A digital mortgage transformation yields benefits across both growth and efficiency value levers. Transforming to a digital lending model drives quantifiable bottom-line impact by expanding and accelerating the sales funnel while reducing costs through greater process efficiency. We estimate 20–30 percent in top-line growth and 30–50 percent in sustainable cost savings is achievable evaluating a set of impacted KPIs.

	Metrics	Baseline	Impact*
1	 75% sales productivity	4 loans per FTE/month	3 loans per FTE/month increase is ~75% increase in sales productivity
2	 20–25% pull-through rate	65%	Driving pull-through to 80% results in ~\$1.8B retail volume increase
3	 25–50% cost to originate	\$6,500/loan	~\$1625–\$3250/loan reduction is \$52M–\$105M cost savings
4	 25–40% cost to service	\$200/loan (performing)	~\$50–\$75/loan reduction is \$45M–\$67M cost savings
	Increase customer satisfaction	J.D. Power overall satisfaction score of 826 (1,000-point scale)	Qualitative metric reflecting effectiveness of client experience delivery

* Illustrative example of a regional lender with limited digital capabilities currently taking 50,000 mortgage loan applications annually and servicing a portfolio of \$150 billion (or 900,000 performing loans).



KPMG can help

KPMG is a leader in defining how the mortgage industry will be transformed by automating the mortgage experience, and we have the ability to help lenders implement a comprehensive digital mortgage process. We combine our real estate finance and compliance knowledge with technology and mortgage industry experience to implement standard out-of-the-box software or build custom robotics platforms. KPMG has conducted in-depth research and developed an informed point of view on the home-buying journey, based on our experience in digital design, mortgage transformation, and intelligent automation.

Our services

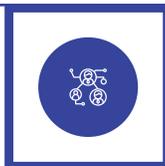
Operating model design – KPMG can help you transform your business model by structuring lean operating environments leveraging human-centered design and digital technologies.



Digital design and delivery services – KPMG provides delivery of integrated customer-centric experience by deploying digital capabilities necessary to drive profitable growth (e.g., customer journey mapping, intelligent automation, and predictive sales analytics). We've successfully partnered with providers like Google, Appian, and others to build market-ready digital solutions.



Managed business service delivery – KPMG's award-winning platforms produces immediate outcomes and shields clients from direct IT investment by delivering digitally enabled business services (e.g., KPMG automated loan review platform, KPMG sales analytics as a service, etc.).



Intelligent automation value analysis – We have a thorough methodology for helping our clients assess robotic and cognitive needs, analyze ROI, and identify technology partners.



Core platform selection and implementation – We help lenders and servicers secure regulatory footing, stabilize operating environments, and begin addressing client expectations by upgrading core platforms (point-of-sale, loan origination system, servicing) and enhancing the target operating model.



Case study: Digital client technology strategy assessment for government-sponsored enterprise (GSE)

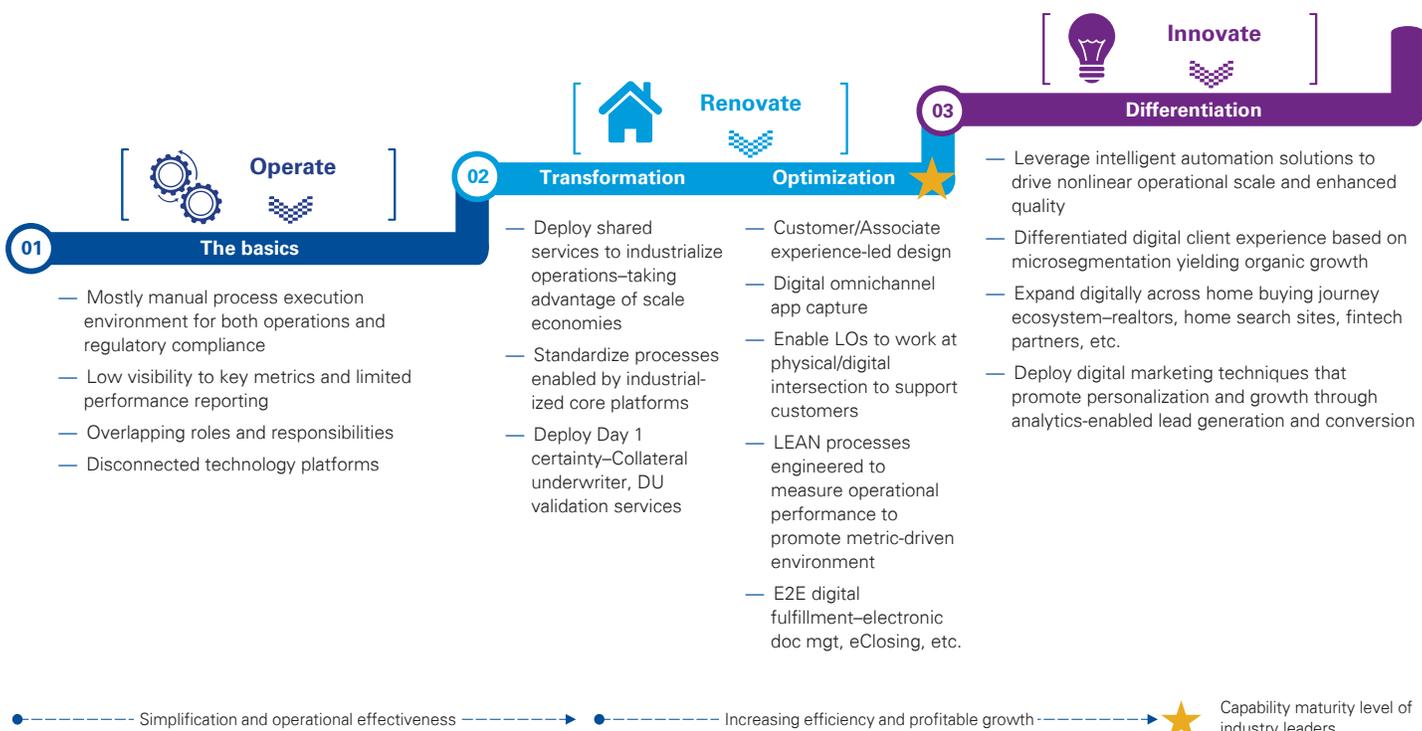
KPMG teamed with the client to develop strategies for extending their customer-facing technical capabilities beyond existing road maps and improve its competitive posture in the industry. We evaluated the capabilities of leading mortgage point-of-sale, asset, and income capacity service providers to determine best in class and assessment of fit with lender and GSE strategies. KPMG led all program delivery activities including work plan development, executive reporting, and issue and risk management. We improved fintech service capabilities and launched digital asset and income pilots, resulting in an enhanced GSE innovation strategy.

Case study: Helping a global financial services company with assessment of vendor platforms

KPMG teamed with a global financial services company to conduct full-day demos with three leading point-of-sale solution vendors, which included business and technical components. We helped create a custom scorecard where potential vendors were evaluated by business and technology stakeholders. A vendor was selected based on the outcome of weighted scores, client reference check results, and other requirements. The result was improved MA user experience, enhanced client experience through an e-signature solution, a better-quality insurance cross-sell process, and improved document capture and tracking.

Where are you on your digital mortgage journey?

The path to sustainable profitability is through digital transformation of the lending process. Many mortgage businesses are in the middle of a transformation—making progress up the capability maturity curve. Building a differentiated processing environment leveraging digital technologies will lead to a differentiated sustainable growth model.





Getting started

KPMG professionals are ready to help guide you as you get onboard with digital mortgages. While working to streamline your operations and cut costs, we will also help you offer improved service to your clients.

With our award-winning platform, hands-on technology experience, access to KPMG's regulatory compliance team, and our deep industry knowledge, we can assist you in making a smooth transition into the digital world.

Reach out to one of our professionals to get started.



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