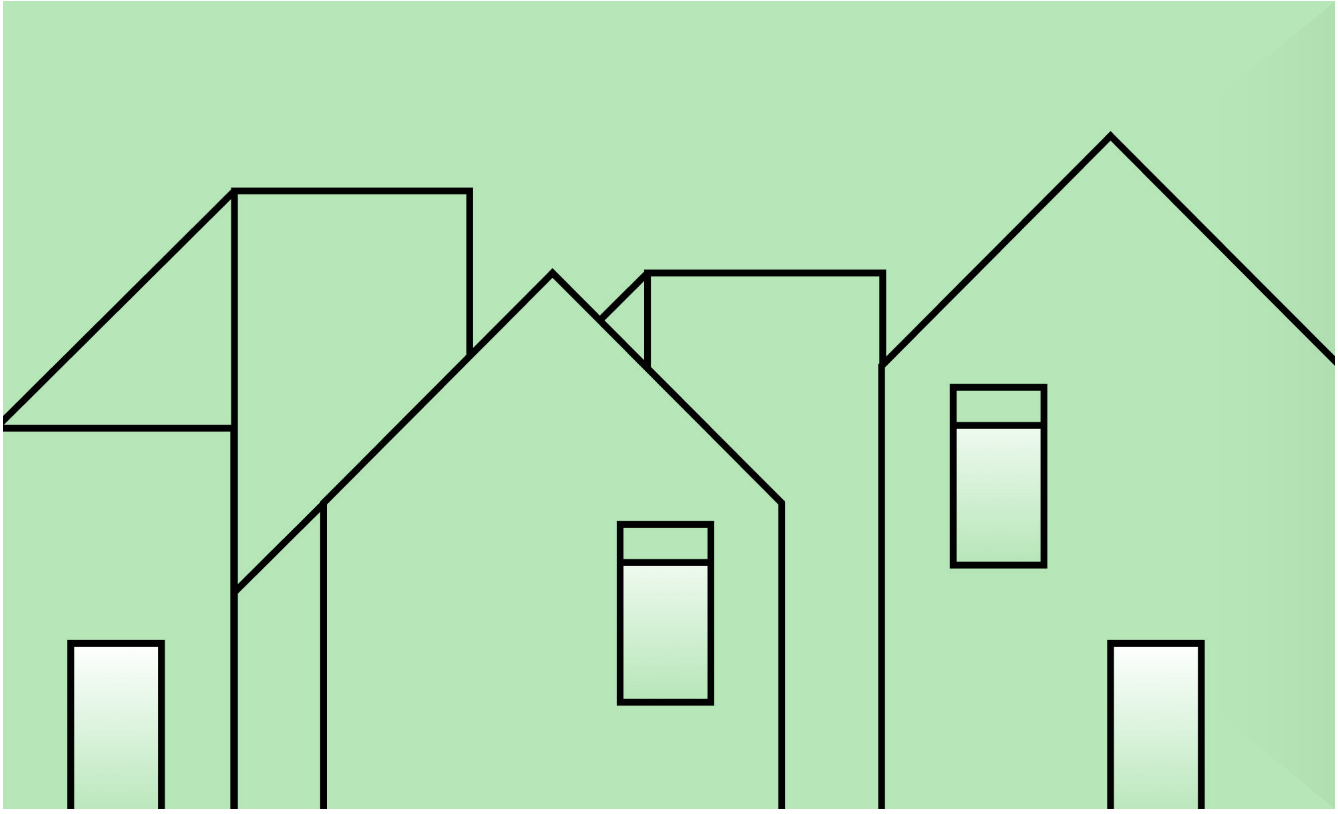
argyle



Road to the One-Click Mortgage

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Introduction

The past year has proven a watershed moment for mortgage lenders adopting digital processes and tools. Lenders across the industry adopted digital closings, point-of-sale solutions, and many other technologies at record pace to ease the origination process for borrowers and remove manual processes and touchpoints. But, how much does a digital application flow really improve conversion and loan cycle times if the borrower still has to leave the application and dig through various papers and systems to find the information they need? Truly transforming the borrower experience will require a more complete overhaul in the way data is collected and shared. One that is cost effective for lenders, while still maintaining borrower trust.

Enter credential-based data providers

Lenders across the industry are realizing the benefits of accessing data from providers that securely share the borrower's information, with their consent, pulling the data directly from source systems. Banking data aggregators have led this movement in asset verification, but now a new category of providers is bringing credential-based payroll data to the origination process to streamline income and employment verification.

As lenders consider the benefits of these new technologies, some may hesitate to add a credential entry step to the origination flow, fearing it will add friction. In reality, the real friction in the mortgage origination process is in the steps that happen off screen, which these models can dramatically reduce.

This white paper will outline how leveraging a credential-based data provider can save money for lenders, reduce friction for borrowers, speed time to close, and overall bring lenders one step closer to a one-click mortgage.

2 The Friction of Manual Underwriting Processes

Top performing lenders are processing loans up to 63% faster than their lower performing counterparts.[1]

Reducing time to close has been a top priority for mortgage lenders over the past several years, but progress has not been uniform. Top performing lenders are processing loans up to 63% faster than their lower performing counterparts, and the average cycle time across the industry is still ~40 days.[1] In search of a faster time to close and higher throughput, lenders have prioritized adoption of robust consumer-facing technology and investments in streamlining business processes.[2] But, even as the industry adopts point of sale technology (POS) and digital closing platforms, many lenders fail to realize the manual work that borrowers take on outside of the digital applications. In fact, most of the borrower friction in a mortgage loan application is in the gathering of data and documents.

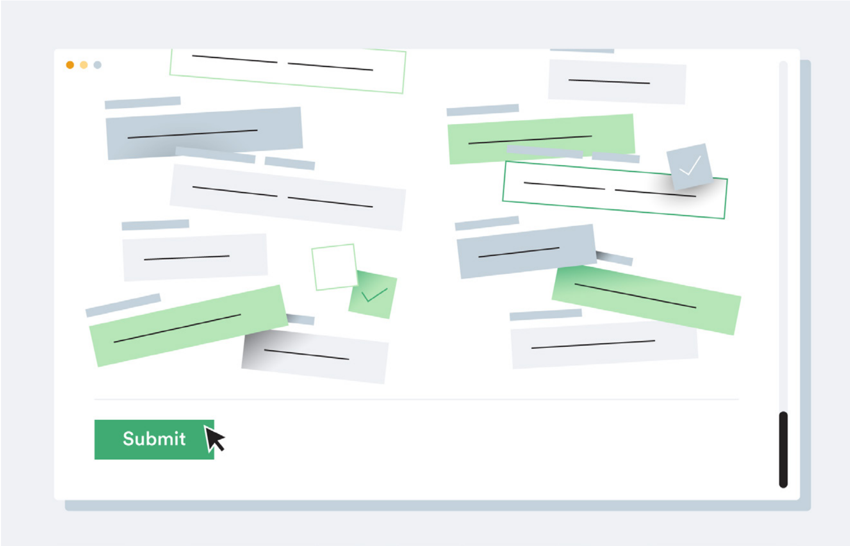
Every borrower touchpoint – data point or document required, email from the loan officer (LO), data clarification request, etc. – presents a barrier, however small, that may stall or delay the application process. Reducing these friction points helps move borrowers through the workflow faster and increases funnel conversion.

[1] https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/mortgage-cycle-time-benchmark-study.pdf

[2] https://www.fanniemae.com/media/19971/display

Understanding exactly where friction points lie requires taking a comprehensive view of the steps the borrower must take in an application workflow – both online and offline.

The status quo requires too many borrower touchpoints



Even in an application flow that lives within a digital point of sale, the borrower must take all of the following steps to just complete the income and employment portion of their application:

1. Log into point of sale (POS) app
2. When prompted for income detail, exit application to navigate to employer or payroll platform
3. Log into payroll or employment platform
4. Search payroll or employment platform for relevant detail. Follow up with HR or employee FAQ to find documents within the platform if needed
5. Once located, download W2 and recent pay stubs
6. Exit payroll platform and navigate back to POS app. If automatically logged out, log back in
7. Upload W2 and pay stubs to POS and enter relevant data in the appropriate fields
8. Answer follow-up questions from loan officer (LO) about unclear or missing data
9. Answer LO queries for employer contact information or, in some cases, connect LO directly to a supervisor or employer
10. As the close date approaches, log back into payroll or employment platform to find, download and re-submit the most recent pay stub ***(a repeat of step 5)***

As shown, this multi-step workflow introduces numerous opportunities for borrowers to exit the process before the loan officer has all the data they need, and each of these touchpoints alone can add anywhere from minutes to days to the closing process depending on the borrower.

While this can be costly for lenders, the experience isn't great for borrowers, either

Even locating a paystub within their payroll or employer platform may be a challenge for some borrowers. Perhaps they need to ask a colleague, email an HR representative or click around in their employer's intranet. Once they learn how to navigate the system, it could take as many as 16 clicks to access and download their pay stub. Once they have these PDFs saved locally, they must go back to the application flow to upload the digital files.

The borrower might be finished for the time being – until they have to repeat the entire process again prior to closing – but now additional manual intervention on the lender's side is required to review the files and evaluate them for accuracy and eligibility. Once step 10 is reached, the LO may need to request yet another paystub or pay a second time for verifications if a third-party validator is used.

It's a time-consuming process that results in a poor experience for both borrower and lender, ultimately negatively impacting application completion rates and closing cycles.

In summary, the tedious manual process is expensive in time for both lenders and borrowers, and legacy verification of income and employment solutions can also be an added cost. There is a better way that is more streamlined for the borrower and lender, to save valuable time and money throughout the process.

3 Benefits of a One-Click Mortgage via Credential-Based Data Providers

In short: no more manual, multi-step processes with multiple logins and extra document management.

Did you know?

The most common third-party solution for verification of income and employment is to utilize data brokers, which buy employee data in bulk, often without consumers explicit understanding of the model, in order to re-sell at a profit to lenders later on. This can cost you a premium of **up to 60%-80%** compared with verifying with an automated, credential-based solution.

A one-click mortgage via credential-based data providers benefits both borrowers and lenders. With just one ask of the borrower – to log into their payroll or employment platform right within the POS or other application flow – the lender can eliminate all of the subsequent touchpoints otherwise required to verify a borrower's income and employment. Not only does the lender receive verified records directly from the source (the payroll or employment platform), but the direct system connection allows lenders to receive all updated data and documents automatically without requiring any intervention from the borrower.

With an automated system, records are:

Accurate up to the hour in real-time

Inclusive of all historic information

Untouched by intermediaries

Verified automatically

Thus reducing the risk of outdated or fraudulent information through a streamlined process on both sides.

Ease and simplicity for the borrower

Reduce the number of borrower touch points by up to 7 steps.

Let's look at that same application process as above, but with a credential-based income and employment verification vendor, like Argyle:

Borrower Experience

Without Argyle

Initial Verification

1. Log into point of sale (POS) app
2. When prompted for income detail, exit application to navigate to employer or payroll platform
3. Log into payroll or employment platform
4. Search payroll or employment platform for relevant detail. Follow up with HR or employee FAQ to find documents within the platform if needed
5. Once located, download W2 and recent pay stubs
6. Exit payroll platform and navigate back to POS app. If automatically logged out, log back in
7. Upload W2 and pay stubs to POS and enter relevant data in the appropriate fields

Re-verification

8. Answer follow-up questions from loan officer (LO) about unclear or missing data
9. Answer LO queries for employer contact information or, in some cases, connect LO directly to a supervisor or employer
10. As the close date approaches, log back into payroll or employment platform to find, download and re-submit the most recent pay stub ***(a repeat of step 5)***

With Argyle

1. Log into point of sale (POS) app
2. Log into payroll or employment platform **right within the same application**
3. Data and documents continuously synced without borrower intervention

A faster closing undoubtedly improves the borrower experience. Additionally, by reducing offline VOIE touchpoints, lenders are eliminating multiple, manual steps for their borrowers—thereby improving satisfaction with the process and increasing the likelihood of future referrals.

Reduced personnel expenses

This truncated process provides substantial bottom-line benefits, one of which is reduced LO labor costs, the largest single cost in the mortgage origination process.

There is a cost associated with every single task an LO completes, such as touching base with the borrower to request or clarify information and going through the process of verifying and re-verifying employment and income data.

The Mortgage Bankers Association's (MBA) latest performance report reveals that personnel expenses per loan actually increased from Q3 to Q4 2020 even as productivity decreased.[3] Using new technical capabilities to remove the tasks that are ripe for automation can bring down the cost of originating a mortgage, as well as make LOs more efficient, enable greater throughput, and ultimately reduce average closing time.

These costs are an important advantage to consider given that the MBA projects another big year in 2021, with a 16.4% growth in purchase originations to reach a new record of $1.67 trillion. Meanwhile lenders nationwide are expressing concerns about declining profit margins as mortgage rates rise and market competitiveness increases.[4] [5]

Dramatically lower verification costs

The one-click mortgage stands to reduce lenders' upfront costs in addition to the cost savings driven by reductions in LO labor and closing cycle times.

Existing VOIE vendors typically purchase data from employers or payroll platforms at a high cost and without explicit user consent to aggregate those records. Argyle operates under a fundamentally different paradigm: its technology enables individuals to elect to share their data directly with mortgage lenders, straight from the payroll system, without an expensive data broker in between. As

[3] https://www.housingwire.com/articles/lender-profits-are-crashing-back-to-earth/

[4] https://www.fanniemae.com/research-and-insights/surveys/mortgage-lender-sentiment-survey

[5] https://www.mba.org/2021-press-releases/april/mba-forecast-purchase-originations-on-pace-to-increase-16-percent-to-record-167-trillion-in-2021

a result, the cost of collecting data via a user-permissioned gateway is dramatically lower. In fact, VOE with Argyle is 20% of the standard cost and its activation fee is substantially lower than market rate.

In addition, Argyle enables an ongoing connection to the permissioned payroll or employment platform for the duration of the close period. That means lenders can continue to update and re-verify data as many times as necessary without incurring a second or third fee.

Remain competitive

The immediate financial benefits for lenders are clear, but moving towards a fully digital origination process is simply a better borrower experience, too.

While perhaps mortgage has not yet felt as much pressure from fintech players as retail banking, the impact of the handful of fully digital mortgage lenders on the market is being felt across the industry. By simplifying every step of the mortgage application process, these digital-first lenders are improving customer satisfaction and expectations in the process.[6] As customer expectations rise, lenders will need to reduce friction across the entire process as well to keep pace.

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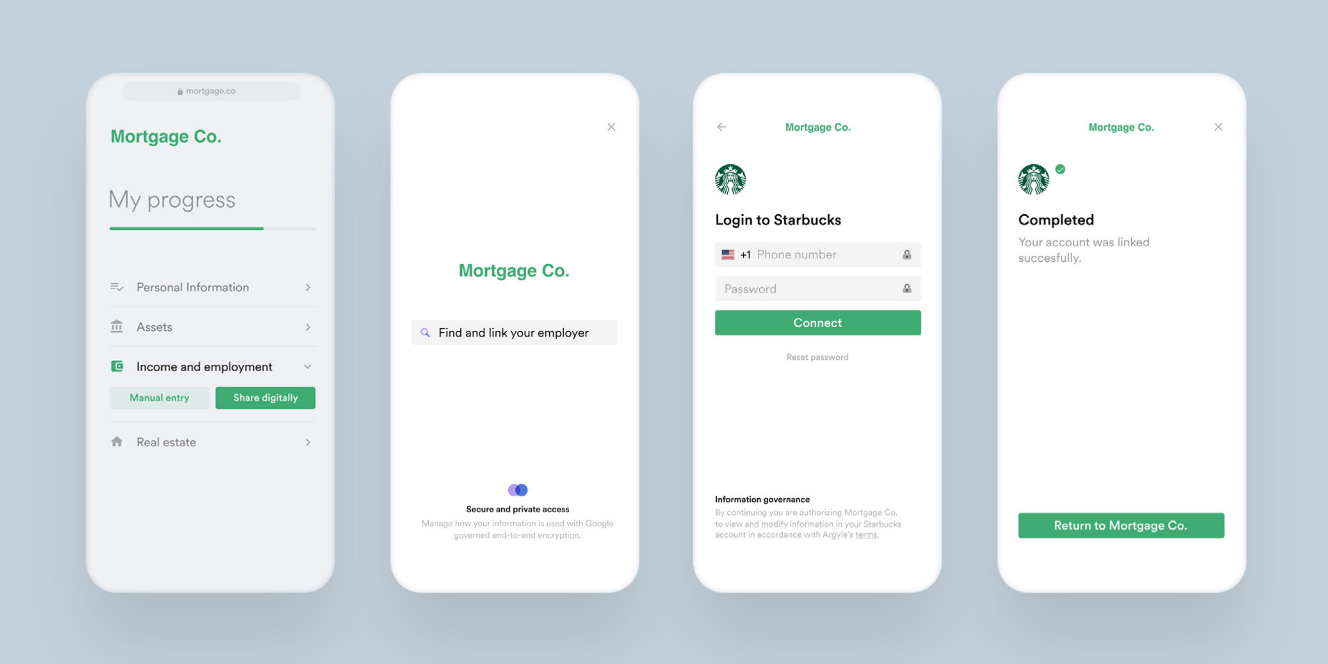
Argyle's Technology is Transformative and Easy to Implement

An Argyle implementation works by first obtaining the borrower's consent and presenting them with a login screen, then providing lenders with instant access to employment records directly from the source system (even if the borrower has multiple income streams).

Lenders create a seamless experience by embedding the Argyle Link module within their existing digital application. Argyle can also be accessed through an integration with lenders' POS or LOS platforms. Once a borrower selects their employer(s) and authenticates into their payroll system(s), the mortgage application is pre-filled with relevant data (W2, W9, 1099, and/or pay stub PDFs are automatically downloaded) and real-time income and employment details are verified from the source.

[6] https://www.forbes.com/sites/rogerdooley/2020/06/01/fintech-friction/?sh=1e4599f47a1c



Once borrowers submit their application, Argyle allows lenders to continuously monitor income and employment status—receiving alerts if changes arise—and download the borrower's latest pay stub prior to closing. All information is updated in real time and updates or validations take place without involving the borrower, removing the unnecessary offline touchpoints that add friction and slow down the process.

5 Borrower Conversion Through Credential-Based Payroll and Employment Gateways

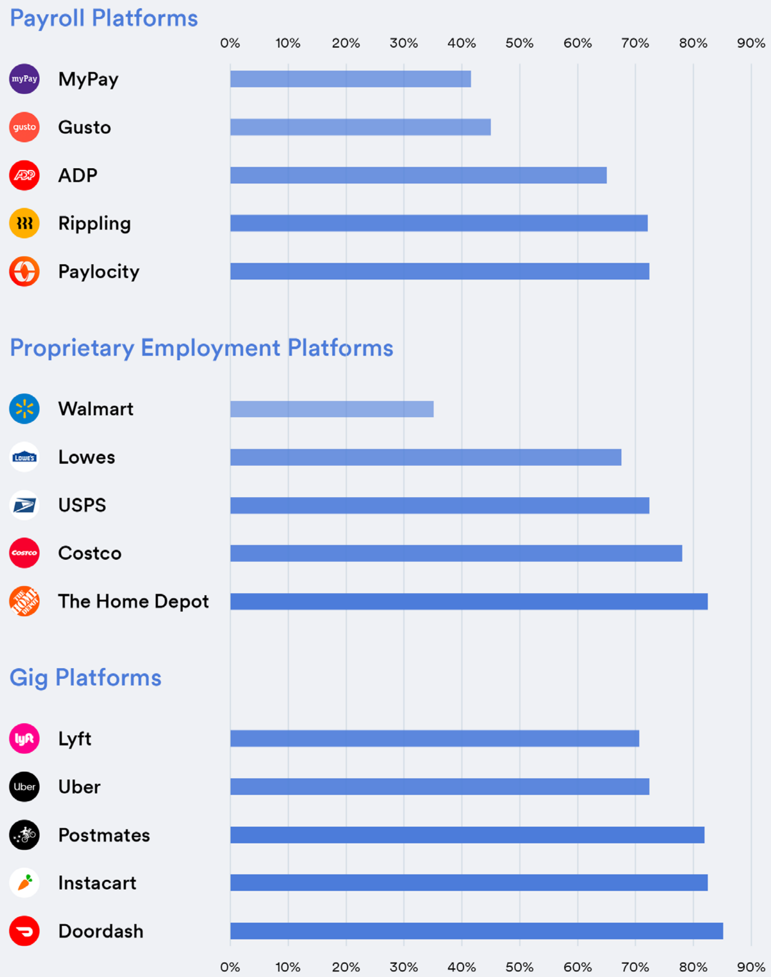
Introducing a new technology to your mortgage application flow, especially one you haven't tested before, can be a difficult choice for lenders who are highly attuned to any increase in friction. As demonstrated, the technology behind credential-based payroll and employment gateways can remove many steps from the mortgage application process. But, can borrowers really authenticate their payroll or employment records successfully?

At Argyle, we are intimately familiar with how likely someone is to know the password for their employment account or payroll system, because we've seen hundreds of thousands of users successfully (and unsuccessfully) provide their credentials. We closely monitor their success rate—what we call conversion—because it drives the performance of the products and applications that our clients build on top of Argyle.

In fact, across all platforms, Argyle sees a 70-75% login success rate.

Login success rates vary by platform, but average 70-75%

Success rates represent the portion of accounts successfully connected using the credentials entered by a user for a single login attempt.



Platforms listed are a select sample of Argyle's total coverage. Success rates are based on total attempted logins over a 12-week period.

And, due to the rise in banking data aggregators across all manner of consumer applications, borrowers are now accustomed to the experience of entering credentials to authenticate accounts online. In fact, users are more likely to enter their payroll password than the password they use to log in to their financial institution.

To illustrate the ease of use for borrowers, take the case of Argyle's lender client that specializes in federal employee loans. This lender promised borrowers a fast and easy online application, approval and disbursement process, including same-day funding. Their manual workflow was riddled with inefficiencies, and the same-day funding promise was difficult to fulfill. After switching to Argyle, this lender achieved an 85% conversion rate, which was a dramatic improvement from the conversion rates they had previously seen with a banking data aggregator.[7]

[7] https://argyle.com/blog/customers-federal-lending

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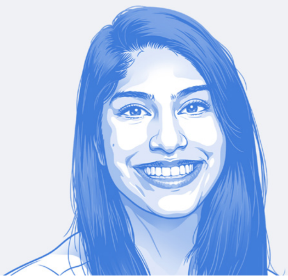
In Conclusion

Lenders are anticipating a record year of purchase originations and heightened competition. There's an opportunity to provide borrowers with a digital mortgage experience that reduces friction and improves satisfaction, while also saving on a large array of costs.

By using Argyle, lenders only need one initial authentication from borrowers to access real-time employment and income records, from the source, for the duration of the close period. Using a single-touchpoint method speeds up cycle time by minimizing manual intervention and the total number of steps that borrowers and LOs must complete during the application flow. It results in a dramatic improvement to the borrower's experience, transforming the process from a clunky, manual one to a smooth and frictionless one. The upshot is a higher conversion rate, speedier time to close and increase in LO productivity—all of which have a favorable impact on profitability, too.

The mortgage industry is already working to digitize outdated processes. Lenders that innovate and provide a more convenient digital experience for their borrowers will be better positioned to compete with Fintech lenders and win new business, and also have the technology in place to effortlessly scale to meet demand.



Ready to learn more?

Got questions? We're here to help.

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