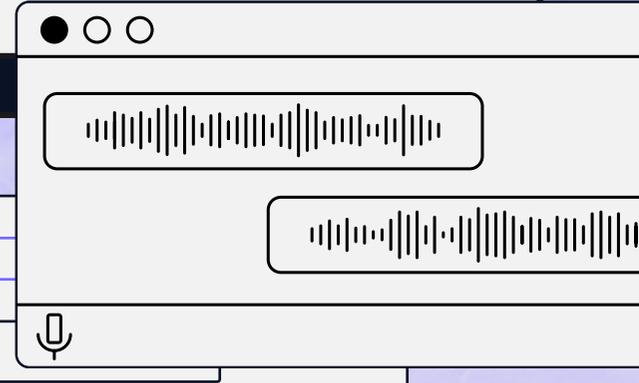




Digital Lending Transformation Playbook



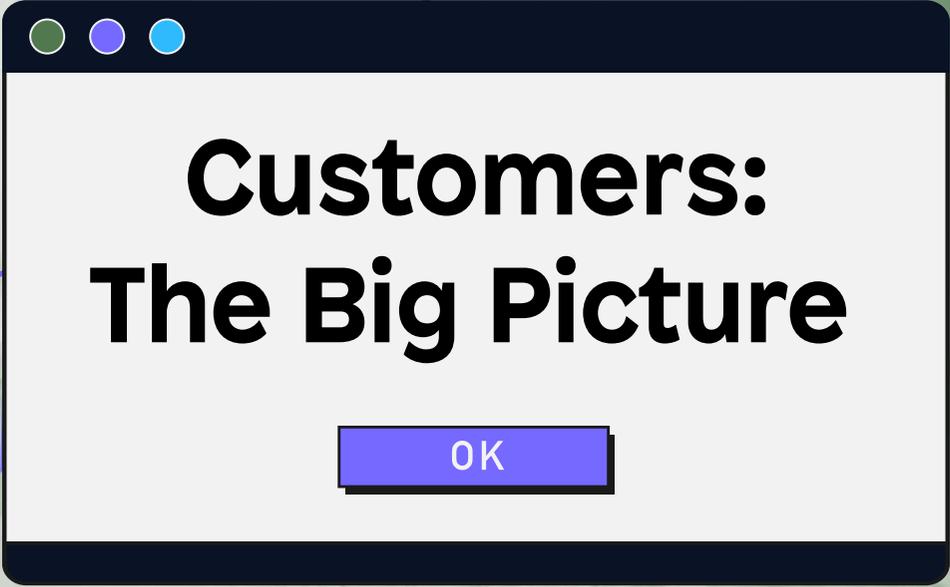
Consumers' steps to get a mortgage might look the same as they have for decades, but the COVID pandemic and market disruptors are forcing lenders to look at how they enable the digital mortgage origination customer journey.

Not since the 2008 crash, when many firms started to leverage online portals for customer and document communication and electronic signature capability, have mortgage firms been forced to evaluate the state of online origination and take significant steps to meet customer expectations.

Lenders have long embraced rules engines and lending process automation tools, but relying on commercial off-the-shelf (COTS) solutions contributes to a struggle to differentiate, especially with more and more disruptors in the market.

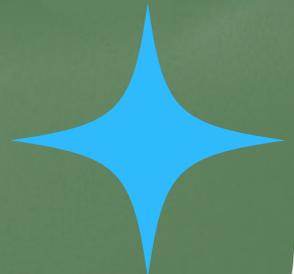
Where are your opportunities to stand out?

Let's look at all the factors and create your new path with this digital transformation playbook.



Customers: The Big Picture

OK



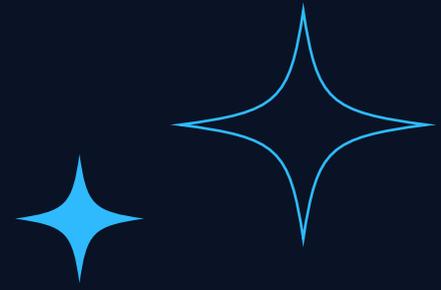
The lending landscape is constantly evolving. COVID forced organizations to be proactive, so digital transformation technologies like artificial intelligence (AI), machine learning (ML), optical character recognition (OCR), API-first, and hyperautomation are already part of the landscape. Still, though, if you're a traditional lender, you're losing market share.

For most people, getting a mortgage (either for a purchase or a refinance) is a milestone that infrequently happens throughout their lives, usually with years passing between purchases. Those purchases may well be the biggest they ever make and may also represent hundreds of thousands of dollars of business.

That means your digital customer experience has to be top-notch to attract and retain customers.

“Borrower expectations for digital engagement have risen dramatically,” according to McKinsey. “60 percent of both purchase and refinance borrowers would be open to completing their entire mortgage application online... satisfaction drops by roughly 15 percentage points if the lender takes more than ten days to provide a decision on the application.”ⁱ Considering the standard turnaround from application to conditional underwriting is about 15 days, you are already behind in customer perception.

McKinsey also states that between 2018 and 2020, nonbanks' share of loan originations has jumped from 50% of the total all the way to 70%. On top of that, a recent EY study showed that 51% of Gen Z and 49% of millennials named a fintech as their most trusted financial brand.ⁱⁱ



- Trust (*that they are not being taken advantage of*)
- Speed
- Promises kept
- Transparency
- Self-service
- Convenience

- Tight coordination across all key stakeholders (*third-party services, lender, customer, realtor*)
- Coherence
- Straightforward lending process



- Fragmented processes and communication channels
- Tons of data entry
- Duplication
- Complication
- Opacity



You might already be adding new technologies to your stack to improve your processes, but disruptors are still winning again and again. Why is that? Because these disruptors are often offering an end-to-end process that is easy, fast, and delivers on the promise made to the customer.

McKinsey states, "95 percent of home buyers would consider a one-stop-shop model for their home-buying journey."ⁱⁱⁱ The journey for homebuyers is complicated enough. They don't need a confusing process adding that much more stress.

These newer players are building their customer experience "house" with the most appealing and sustainable materials, while traditional lenders are building with concrete. It gets the job done, but it'll get rough over time and has the potential to crumble. Adding more and more pieces to the top of the tech stack isn't the long-term fix. If anything, it's suffocating future opportunities.

There's even more. Many traditional lenders have focused on their portion of the home buying experience and rely on partnerships with real estate brokerage and homebuilder firms to get into the door, increasing the chances of fragmenting the customer relationship.

Moreover, customers with financial institution relationships often receive mass marketing in the form of email or direct mail offers instead of offers that reflect a knowledge of the customer or their transaction history and financial footing.

The result is an overall experience that feels disjointed and disconnected, potentially leading to customer churn, lost revenue opportunities, and opening the door even further to disruptors.



CONSIDER THIS

Think about your customer and staff-facing solutions (loan officer, processor, underwriter, closer, disclosure team, appraisal review team, etc.).

✦ What do you have? What have you added since 2020?

✦ How has this positively or negatively impacted your customer satisfaction scores?

Take a walk, talk to your team. There's no rush here! Be thorough and capture everything. We've left a notes page at the end to help you capture your thoughts.

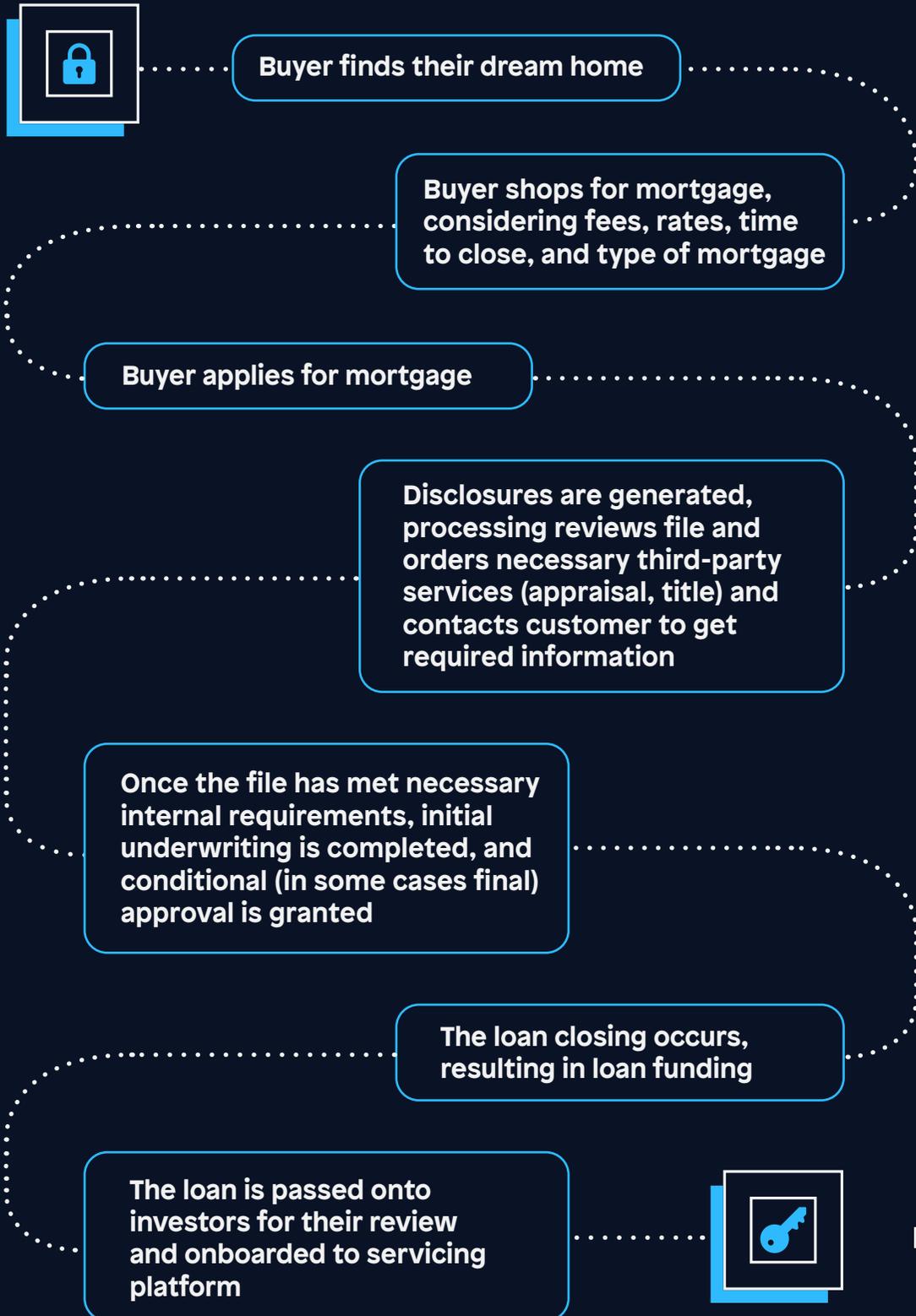
02

Identifying Opportunity

OK



For a long time, the basic steps of the mortgage process for purchases have been generally the same:



Single-point COTS solutions refine specific parts of that process, but most traditional lenders look at things too closely.

■ **While you're shoring up your operations and automating over here, disruptors are taking advantage of lack of attention over there.**

You can only plug so many holes in the dam before it breaks.

Ready for some good news?

According to a recent ICE Technology survey, for 35% of people looking for a home loan, existing bank or lending relationships still matter.^{iv}

The opportunity for lenders to capture more market share, create new revenue streams, and bring down their cost per loan is still very much there. But seizing it requires moving beyond closed software platforms or turning over your customer experience to the latest fintech disruptor.



**Buy The
Wrong Tools,**



**Build The
Wrong Way**

CANCEL

The reality is that with newer businesses already eating away at market share and more starting up seemingly by the day, demand for better digitization, more intelligent processes, and top-notch user experience is higher than ever.

That digitization means higher revenue, but if done without a holistic strategy, it also means a higher cost.

■ **In 2007, the average cost of origination was under \$4,000. In 2019, that average cost jumped to over \$8,000.^v**

That number is only likely to increase, putting more and more pressure on profit margins and resources. It's not the rosier picture.

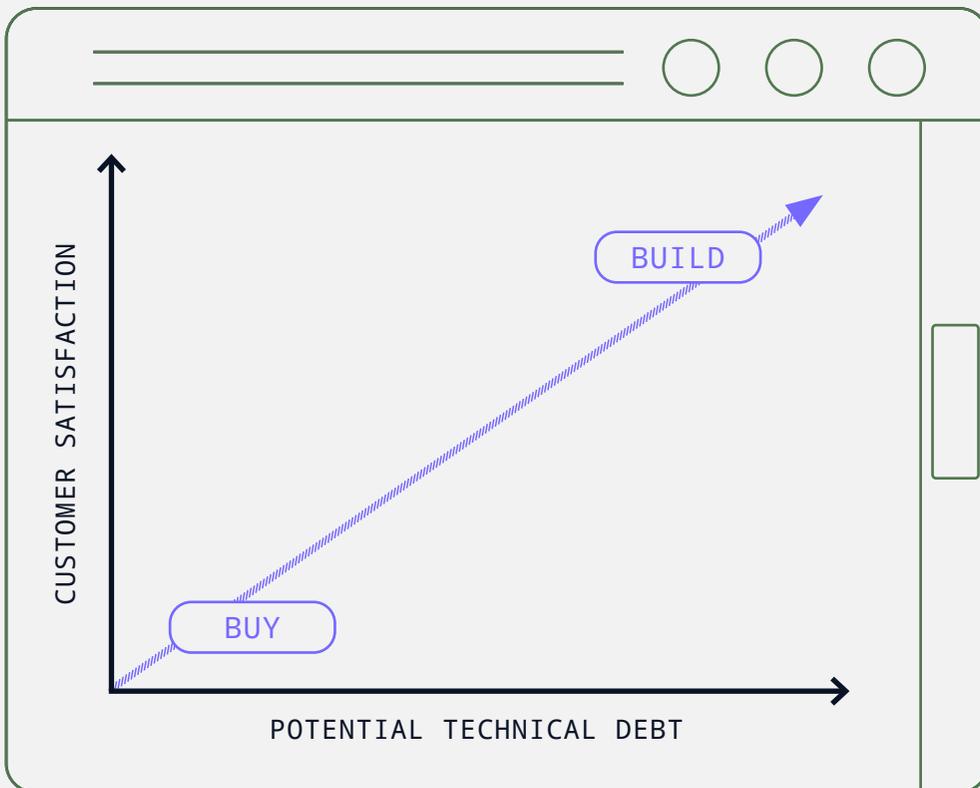
The prevailing story is that building any custom solution is costly and adds to your technical debt. That's why many leaders go with a COTS solution from a known provider.

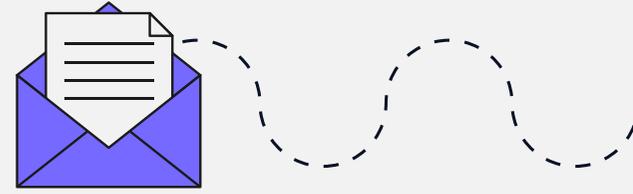
But a COTS solution only brings you shoulder-to-shoulder with your usual competitors. No more, no less. Want to customize? Maybe you can, but now you're back in the high-cost, technical debt camp. And that still doesn't get you on even footing with disruptors. It also doesn't address "outside the system" processes that spring up because of the limitations of the selected solution, like capacity management and skills-based routing, post-closing quality check processes, income calculation templates for non-salaried borrowers, and so on.

So, many lenders end up with nicely digitized processes that don't connect. That means your customers and staff are doing things repeatedly, and you're not making the most out of your data.

If you think your internal and external customers don't feel that friction, think again.

Buying off the shelf may appear cost-effective at first, but it doesn't make you stand out. Building from scratch leveraging traditional development tools may thrill customers, but often lead to increased long term technical debt and maintenance costs.





From Forbes magazine: “From a borrower’s perspective, the pandemic has accelerated the demand for a consistent, digital-first borrowing experience. Signing documents electronically is quickly becoming the minimum, and borrowers expect a seamless experience from start to finish. In 2020, many lenders cobbled together different solutions to meet borrower demands, but that often led to a more confusing, fragmented process. Covid highlighted the need for a single consistent digital experience for consumers.”^{vi}



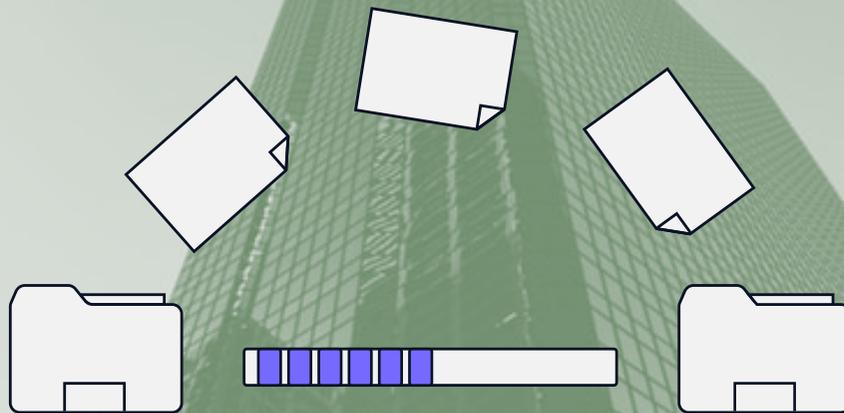
CONSIDER THIS ■

- ✦ What do you see as a potential homebuyer’s top needs?
- ✦ Does your existing customer experience meet those needs? Why not? Is it circumstance or choice?
- ✦ Ask yourself the same questions about what your loan officers and fulfillment team members deal with daily.

Honesty is okay. We won’t judge.



Bring Lending Together With Mendix



Think again about your stack. Look at your data sources and how many hoops you ask your customers, loan officers, and fulfillment team to jump through.

Now consider your closest competitors. You're likely sharing a lot of the same software DNA, so where is the opportunity to differentiate?

The differentiator you need is a platform that:



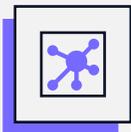
Unifies your core systems together



Brings your data together into actionable insights



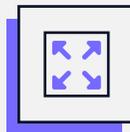
Doesn't add to your technical debt



Enables you to move from single-point to a true ecosystem



Streamlines your processing and adds automation



Is uniquely yours and can scale with your needs



Maximizes your resources by utilizing starter templates and reusable components

That may sound like a unicorn, but it's not. It's Mendix.

Mendix is a leading low-code enterprise application development platform that enables you to build a custom solution that brings your systems together. Mendix won't replace your point of sale, loan origination (LOS), or core systems, but it will take your data and workflows out of silos and into a cohesive ecosystem.

You can use pre-built templates to kickstart or start from your ideas. Take components from one build and use them for other solutions to save time on future projects. Start with one solution to see immediate results and then expand and scale at your pace.

**Either way,
you're deploying faster,
cheaper, and better.**

Mendix is a critical enabler for lenders like Quion on their digital transformation journey. Start with templates designed specifically for lenders or bring your legacy code and ingest.



Quion is one of the biggest independent third-party mortgage and consumer credit servicers in the Netherlands.^{vii} Using Mendix, they developed a custom online mortgage servicing portal with over 100 integrations. The resulting portal helped reduce telephone traffic by 37 and increase net promoter score by 30 points. **All that in just six months.**



The Foundation of Digital Transformation

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A recent Harvard Business Review article defined the four pillars of digital transformation as:^{viii}



Does a Mendix solution really help you speak to all of these? Let's find out.

IT Uplift

Most lenders have ever-growing roadmaps compounded by needing to maintain tons of core systems with limited resources. It doesn't have to be that way.

- ✦ Create a single, unified system that integrates with your core systems. Break down your monolith.
- ✦ Release up to 90% faster. Deploy a spectacular CX without straining your resources and adding to your technical debt.
- ✦ Easily integrate with core systems and deploy on cloud or locally.

Digitizing Operations

Lenders have gotten pretty good at digitization, but there's always room to improve.

- ✦ Automate data entry by getting the necessary data out of silos.
- ✦ Extend intelligent automation capabilities with AWS, rapid integration to AI/ML, back office, and admin platforms.^{ix}
- ✦ Build the solution that you need at a fraction of the cost and time of either custom development or COTS.
- ✦ Migrate Capex cost to Opex.
- ✦ Upgrade legacy systems without disrupting operations.

Digital Marketing

Companies like Rocket Mortgage make a living on ease of use. That's what customers want. Mendix helps get you there.

- ✦ A unified, modern customer experience attracts new customers.
- ✦ Just as importantly, it keeps you sticky with your current customers and helps retain them.

Digital Businesses

Successful organizations continue refining and expanding their capabilities into new offerings and markets. Mendix enables that.

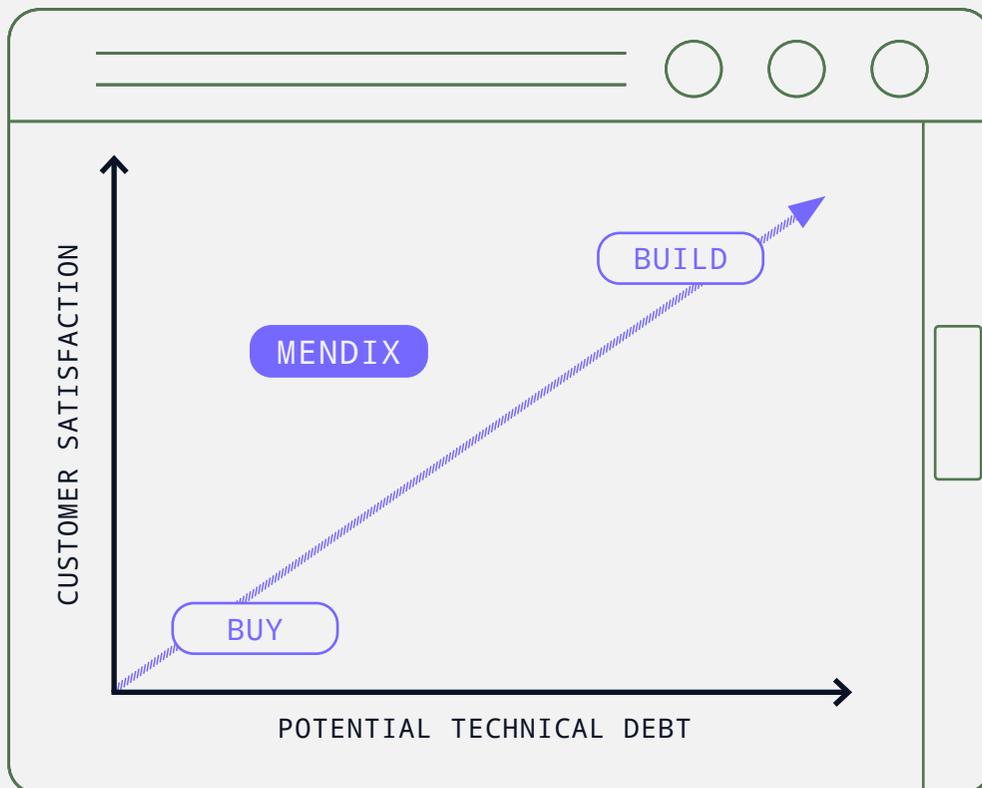
- ✦ Components are reusable, meaning you can take them and repurpose them across your entire portfolio.
- ✦ Bringing low-code into play helps expand your employee skillset. Empower employees to help build and maintain solutions across the enterprise.



Business Development Bank of Canada (BDC) needed a new system to integrate with its core lending system.^x They used Mendix to build and deploy in a quarter of the time anticipated by traditional development. Data and process consolidation allowed them to cut processing time by 80%. That's not a pipe dream. That's doable starting right now.



Let's go back to the customer-satisfaction-to-cost discussion. No matter how big or small the size of your organization, Mendix sits at the crucial intersection of build and buy. Mendix is faster than traditional build and more customizable than traditional buy. Focus more on solutions that are going to win than how you're going to integrate. That means more value and more market share.



The lending industry has tended to be cyclical with technology. Proprietary technology gave way to COTS solutions from multiple vendors. Today, disruptors are winning with customized customer experience, and businesses are scrambling to keep up.

Mendix offers an opportunity to take control, break that cycle, and scale for the future.



CONSIDER THIS

- ✦ Look at your customer-facing applications one more time. What kind of data are you getting?
- ✦ Pick two systems or processes you'd love to bring together. (*yes, what you do in spreadsheets counts as a system*). If you want, pick a bunch. What do you want out of that?

Write them down. Be ambitious!

Success Starts Now

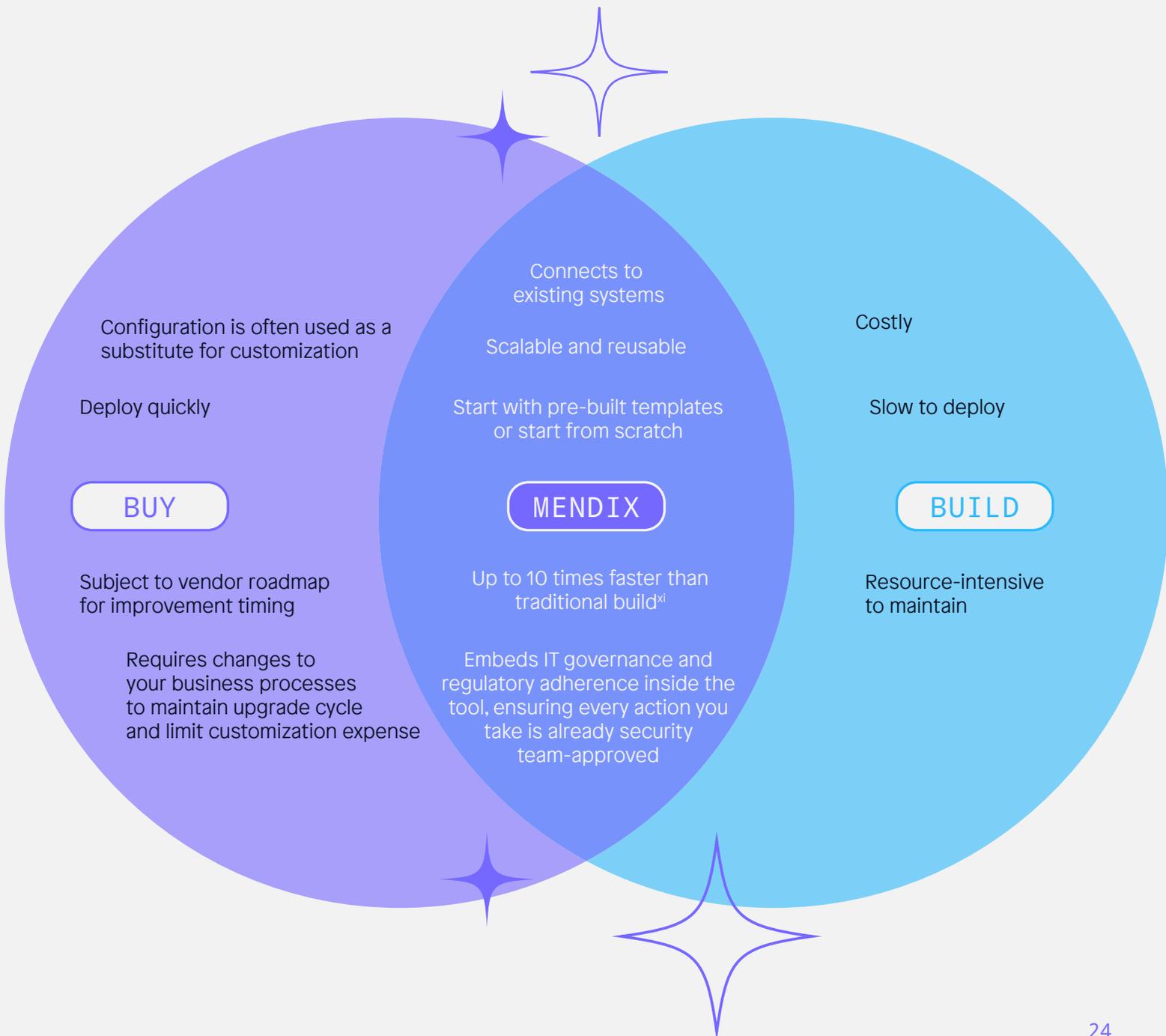
CONTINUE



You've come this far, so you understand that the current way of working for lenders isn't the way. The usual COTS solution isn't putting you ahead of your regular competitors, let alone a host of disruptors. Conventional building is too slow and expensive.

Jump to the middle, and that's where you'll find value.

That's where you'll discover Mendix.





Go back and look at how you answered Consider This.

Consider what you ask customers and employees to do for even the simplest tasks. Find those pain points. That's your differentiation opportunity, and that's your digital transformation playbook.

Here are some more questions to get you started:

- Can you give a current customer a personalized offer that shows you understand their financial situation...before having them key in data or click a link to go somewhere else to act? If not, why?
- What are the different ways your employees are forced to use various applications and tools—that is, “alt+tab” their way through the day?
- What efficiencies could be achieved by building quality checks directly into your process?
- How are you calculating income for non-W2 borrowers? Are you using spreadsheets? What if you could quickly build a calculation module and embed it in your LOS platform?
- Is the spreadsheet you use to execute and track your post-closing quality control causing more work?
- What would the impact be from having your procedures “come alive” via an application approved by your IT organization but managed and used by your business users?
- How are you addressing and managing trailing document deficiencies and their remediation? What type of competitive advantage could you create from managing and resolving these deficiencies centrally?
- Coordination across different stakeholders is vital in the later stages of the loan origination process. What benefit would your customers and other stakeholders derive from being able to schedule their own close with a tool that communicates with existing systems?
- What would the impact be on cost-per-loan and application-to-funding time if you could have a system that matched loans to resources based upon required skill level and available resources in the needed timeframe?
- How are you handling your underwriting condition management activities? Can you automatically import the correct conditions from multiple sources without duplicates or manual entry?

Mendix helps you modernize your core and get to that first-class customer experience that will drive the market for years to come. The world's moving too fast, and the risk is too significant not to.

Now you just have to get out there and do it. Check out pre-built templates ([including one specific to mortgage origination](#)), learn about the platform, and talk to your team about the possibilities.

Identify your opportunities and start today. The playbook is already in your hands.

About Mendix

Mendix is a leader in low-code enterprise application development and also a leader in Gartner's Magic Quadrant for Enterprise Low-Code Application and Multiexperience Development.

The Mendix platform is widely recognized for its best-in-class ability to modernize core systems, improve operational efficiencies, digitize customer engagement, and rapidly launch new products and business models.

These strengths enable enterprises to accelerate their digital transformation journey and stay competitive in their target markets by using the Mendix platform to build customized solutions.

[Read more about the Mendix platform](#) and how it can drive your organization forward. Speak with a Mendix representative to learn how your business can start today.

Your Notes:

Endnotes

ⁱ Krishna Bhattacharya, Akshay Kapoor, and Ayush Madan, "Five Trends Reshaping the US Home Mortgage Industry," McKinsey & Company (McKinsey & Company, December 8, 2021), <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/five-trends-reshaping-the-us-home-mortgage-industry>.

ⁱⁱ Dan Thain and Aditya Swaminathan, "Mortgage Lending Reaches an Inflection Point," EY (EY, November 30, 2021), https://www.ey.com/en_us/banking-capital-markets/mortgage-lending-reaches-an-inflection-point.

ⁱⁱⁱ Ibid.

^{iv} Brenda Richardson, "How Digital Technology Changed the Face of the Mortgage Industry," Forbes (Forbes Magazine, June 29, 2021), <https://www.forbes.com/sites/brendarichardson/2021/05/13/how-digital-technology-changed-the-face-of-the-mortgage-industry/?sh=50395dd22856>.

^v "Cost to Originate Study: How Digital Offerings Impact Loan Production Costs," Cost to Originate Study: How Digital Offerings Impact Loan Production Costs (Freddie Mac Single-Family, n.d.), <https://sf.freddiemac.com/resources/cost-to-originate-study-how-digital-offerings-impact-loan-production-costs>.

^{vi} Richardson, "How Digital Technology Changed the Face of the Mortgage Industry."

^{vii} "Leading Mortgage Service Provider, Quion, Puts Customers in the Digital Driver's Seat with Mendix-Built Solution," Mendix, <https://www.mendix.com/press/leading-mortgage-service-provider-quion-puts-customers-in-the-digital-drivers-seat-with-mendix-built-solution/>.

^{viii} "The 4 Pillars of Successful Digital Transformations," Harvard Business Review, <https://hbr.org/2022/01/the-4-pillars-of-successful-digital-transformations#:~:text=The%20framework%20outlines%20the%20four,most%20companies%20digital%20transformation%20journey>.

^{ix} "Mendix and Amazon Web Services Expand Their Seven-Year Strategic Relationship with Intelligent Automation Solutions," Yahoo! (Yahoo!), <https://www.yahoo.com/lifestyle/mendix-amazon-services-expand-seven-130000442.html>.

^x "Business Development Bank of Canada Lends Entrepreneurial Spirit to Loans Process," Mendix, <https://www.mendix.com/customer-stories/bdc/>.

^{xi} Mark Manning, "Low Code Benefits: Forrester's TEI Report of the Mendix Platform," Mendix, <https://www.mendix.com/blog/quantifiable-impact-how-todays-enterprise-landscape-benefits-from-low-code/>.

