

Making Loan Officers Happy

California Housing Finance Agency

Management Innovation: Technology

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Overview

The California Housing Finance Agency recently completed the implementation of a collaborative solution to streamline the processing of Single Family compliance and purchase reviews. In less than six months since implementation, our Single Family Lending division has seen compliance review turn times fall by a third, and purchase review turn times cut almost in half. Error rates across all loan documents have fallen to below 0.5%, eliminating the need for our Fiscal Services division to perform a cumbersome manual review. What makes our lenders happy is that any error notifications get to our lenders 88% faster, making their overall turnarounds quicker also.

This solution integrated CalHFA's legacy Loan Origination System with MTS Software Solution's IntellaLend platform. This integration uses Intelligent Content Recognition, similar to Optical Character Recognition, or OCR, to assist in powering Artificial Intelligence and Robotic Processing Automation to streamline workflows in the CalHFA Single Family Loan Production unit. To reduce the impact felt by CalHFA staff and lender partners one of the main goals for this project was to identify a solution that could integrate seamlessly with our legacy systems to allow staff and lender partners to continue their processing in the system they are accustomed to.

This project is aligned with the Agency's strategic objective of streamlining workflows by reducing the risk associated with the often-changing mortgage lending environments as well as human errors associated with the classic "stare and compare" process. The decreased turnaround times also make us a more viable option in a very competitive mortgage marketplace.

Background

Compliance and purchase review processes are audits of loan reservations from CalHFA lender partners. These audit processes required a CalHFA reviewer to verify data across a set of required mortgage documents, comparing those documents against each other as well as reservation data in CalHFA's legacy system. Depending on review type and CalHFA Loan Program, the reviewer had to manually audit as many as 125 data elements across documents within a loan package and MAS. On average, a CalHFA reviewer was able to process up to six to eight files in a working day.

Additionally, the Loan Document submission process for CalHFA lender partners led to additional review delays which we knew could be mitigated with a more innovative approach. At project initiation, CalHFA allowed lender partners to submit loan documents in predefined buckets for a specified loan; in other words, there were no controls to determine if the correct document was uploaded to the appropriate document type. CalHFA had to assign reviewers to verify each and every document submission and then route to compliance or purchase review, or suspend for missing documents and send back to the Lender. Some loan packages could go back and forth to a lender a half dozen times, which was frustrating to CalHFA and our lenders, and more importantly to the prospective homebuyers.

Solution

To address this frustration, CalHFA's Single Family staff worked with our IT division to develop a Request for Proposal with these objectives:

- Ability to understand the different types of mortgage-related documents for accurate classification, reliable document assembly and stacking, high accuracy data field extraction, auto-validation and analysis
- Ability to configure business rules specific to CalHFA guidelines and procedures
- Significantly reduce mortgage loan compliance and purchase review processing time
- Enable bifurcation and prioritization of loans with critical deadline requirements
- Real-time mortgage document processing for reliable and timely review by CalHFA
- Processing results consistent between digitally submitted loan documents delivered via CalHFA's lender portal vs. papers submitted and scanned on premises
- Readily scalable for response in real-time to spikes in loan processing demands
- Provide data-driven metrics and automation performance tracking and real-time reporting capabilities to know precisely what's improved, where and by how much
- Must integrate with the organization's existing software and loan review process workflows

CalHFA ultimately partnered with MTS Software Solutions for their ability to customize and integrate their IntellaLend platform. The IntellaLend platform uses a combination of Artificial Intelligence, Machine Learning Intelligent Content Recognition and Process Automation to reduce many time-consuming manual steps that users face when reviewing and validating loan packages. IntellaLend off the shelf comes with

- A library of 650 unique documents commonly used in processing Conventional, FHA, VA, and USDA loans
- An IDC engine that can extract approximately 1600 unique data fields
- The ability to arranged documents in customizable pre-configured stacking orders depending on loan program or lender

CalHFA's review process does not require all these documents and data fields to be collected, so we identified

- 32 documents specific to CalHFA reviews and loan programs
- 604 extraction fields which includes 69 new extraction fields specific to CalHFA documents and business rules
- 13 unique pre-configured stacking orders specific to CalHFA loan programs

MTS Software Solution's ability to customize IntellaLend to CalHFA makes implementation replicable across most units within CalHFA, and the Agency is now looking at IntellaLend implementation to streamline workflows throughout the agency.

Results

The integration with IntellaLend allowed CalHFA to implement fully automated required document verification workflows, which notifies lenders of an incomplete file. These notifications are being sent to the lender on average 88% faster than the previous CalHFA employee-driven process.

The best part, however, is how the new integrated system can compare lender documents and data fields with the required documents list and up to 182 business rules. If discrepancies are identified by failed business rules, these items are presented to the CalHFA reviewer during their compliance or purchase review processes to draw their attention to deficiencies requiring a manual audit. This deficiency reporting removes the volume of stare and compare elements and lets reviewers focus only on flagged deficiencies. This innovation through the use of OCR, AI and machine learning technologies has expedited CalHFA's Single Family Lending review processes:

- Compliance reviews have seen a decrease in turn times of 31%, and 30% in our reviewer driven status codes (Suspense Notification 420, and Commitment Issues 440).
- Purchase reviews have seen decreases across the board in turn times of 56%, 33% and 36% for reviewer driven status codes (Suspense Notification 520, Approved Pending First Purchase 527, and Approval Notification 530).
- CalHFA has seen errors across all loan documents reduced to less than 0.5%, allowing us to replace the manual audit done by Fiscal Services with the IntellaLend workflow.

Due to the major decrease in staffing times required to process these reviews, CalHFA has been able to refocus staff to processes that need additional support. We have also begun future planning to integrate IntellaLend across additional document-driven process processes within CalHFA. An added bonus is that these streamlined processes have improved the quality of the resulting loan documents which is better for our long-term data storage of loan documents. Every loan document processed through IntellaLend has been indexed and is queryable when searching for loan information. CalHFA Single Family reporting is also cleaner, as data is being extracted directly from source documents instead of being manually input.

We could not be happier with how this process went and are very much looking forward to implementing Intellalend across CalHFA.