

Managing Production Challenges Resulting From Unexpected Increases in Volume

**A Publication by
Members of the Mortgage Insight Panel
Spring 2010**



**CMG MORTGAGE INSURANCE COMPANY
MORTGAGE INSIGHT PANEL**



CMG Mortgage Insurance Company

A Joint Venture between PMI Mortgage Insurance Co. and
CUNA Mutual Insurance Society

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Table of Contents

Executive Summary.....	pg. 3
Processing.....	pg. 4
Pipeline Management.....	pg. 6
Communication Plans – Internal & External.....	pg. 7
Technology.....	pg. 8
Transitioning from the Refinance Market to the Purchase Market.....	pg. 9
Credits.....	pg. 10

Executive Summary

Credit Unions that offer mortgage lending are facing an unprecedented rise in demand for their services, due to the ongoing recession and the resulting retreat of banks and other financial institutions from the mortgage marketplace. As a result, many find their resources stretched to the limit and their capacity to meet member needs under stress.

This fact sheet seeks to offer helpful solutions to the production challenges that arise from the unexpected increase in loan volume. Practical, results-oriented approaches for successfully managing loan processing, loan pipelines, member communications and technology are presented in a simple challenge/solution format.

The information has been provided by members of the Mortgage Insight Panel, a group of six Credit Union leaders from around the country who have experienced these challenges and successfully designed and implemented efficient, cost-effective remedies. This fact sheet is designed to help you find out how you can get the most from your high-volume business.

Processing

Challenges

- How to best manage staff resources in a high loan volume environment
- How to best manage loan assignment and processing in a high-volume environment
- How to move loans from originations to closing in a timely manner

Solutions

- *Capacity Planning*

This is an example of a capacity model that breaks down by position what each employee can accomplish without overtime. In this model, a trained processor can fund 30 loans per month without overtime.

Therefore, if there are 300 loans in the pipeline, approximately 10 processors will be needed. If there are seven processors, three more people will be needed in order to continue to fund loans within a 30-day standard timeline. (These numbers can then be used as a performance measurement.)

- *First In, First Out Processing (FIFO)*

New loans come to a “gatekeeper” who knows exactly how many loans each person has in her processing pipeline. This approach functions best when all of the processor pipelines are balanced.

1. Processors are required to do a welcome call for new loans within one day of receiving the file. In preparation for the welcome call, the processor reviews the entire file and makes a list of any missing documentation.
2. When the member is called, the processor introduces him- or herself, sets expectations about the process, reviews details such as rate, term, lock/float, etc. By thoroughly reviewing the file on this first call, you minimize the possibility of problems later.
3. After the welcome call is made, the file is updated and put in the back of the processor’s drawer. After all new files have been called and the paperwork completed, the processors go to the first loan in the front of their drawers, complete a final review and, if the paperwork is complete, deliver it to underwriting.
4. If the paperwork is not complete, the processor follows up on all outstanding items. When paperwork is fully completed during this second review, it is then sent on to underwriting.

5. The processor contacts the member with the status of the loan.

This process usually results in loans being touched only twice. Each file comes up in the rotation approximately every three days. Processors are required to touch base with the member every time they review the file – this in turn cuts down on incoming phone calls from anxious members.

If you think about doing basketball lay-up drills in your elementary school P.E. class, this is exactly what the processing pipelines look like. After you take your turn, you go to the back of the line. No one gets to go again until everyone else has gone and you’ve been rotated to the front of the line. Processors are firmly required to work the loans in order – no matter how tempting it is to cherry-pick or quickly work on a member’s file out of order.

Benefit – This processing model validates that when processors adhere to First In, First Out, all loans are touched every three days and all loans are processed very quickly. Please see the benchmark below for details:

First In, First Out Benchmark*

Position Description	Maximum Capacity	Service Goal	Comments
Underwriter	Can range from 8 loans per day to 50 loans per month depending on loan underwriting staffing & responsibilities	48 hrs to approval	Also responsible for staying abreast of changes in compliance
Processor	35 loans per month	25 days to underwriting 30 days to closing	Processors also prepare closing docs and fund/disperse procedures
Loan Officer	50 applications per month	Submit completed application for processing within 48hrs	Loan officers also take appointments & walk-ins

*The FIFO methodology assumes that focus is placed on scheduled settlement dates for purchase transactions. Purchase transactions would be assigned in similar fashion but would be processed in order to ensure the scheduled settlement date is met. Thus, a

purchase transaction may be moved up in the queue to accommodate an impending settlement date. It should also be noted that consideration should also be given to refinance transactions where there is a legitimate need for a member to obtain funds.

Pipeline Management

Challenges

- How many loans can your system handle (can you measure your capacity)?
- If resources are limited, how can you get more from your staff during a high-volume period?

Solutions

- Create a metric system that enables you to know your full capacity. Develop a pipeline report for each staff person, which will allow you to assess when staff has reached maximum output. Have a backup plan for when staff productivity reaches this benchmark – expect to have to do something different, as what you are doing now is no longer enough.
- Ensure that staff is cross-trained and cross-functional. Servicers can assist production staff, Loan Officers can assist processors, etc. Example: Processors can be trained to close and fund loans, and can be moved according to demand.
- You may have in-house staff with prior mortgage experience. They can be assigned to the mortgage department to support mortgage efforts and when loan volumes go down they can return to their original positions.
- Use less-experienced, in-house staff to assist with less complex tasks such as verifications. This will allow you to fully utilize your workforce and help make sure the loans arrive at Originations ready to go.
- Utilize resources from other CU departments to handle administrative tasks.
- Consider incentives (pool and individual) for excess production, volume and quality of work, and team effort. Incentives can minimize overtime hours (if monthly loan targets are set) and allows staff to feel fairly compensated for increased work volume. Example: Circulate a member satisfaction survey. If satisfaction meets volume levels, an incentive award is granted to the team.
- Use temporary staff. Temps can be highly qualified, having prior experience with former large mortgage companies. They are often accustomed to Fannie Mae and Freddie Mac guidelines and underwriting or processing high volumes.

- Note that during high-volume times, well-trained temporary staff is hired early. Using a metrics plan to determine staffing needs during high volume periods will help you hire qualified temporary staff before this kind of expertise becomes scarce.
- Consider third parties for outsourcing processing, underwriting and funding

Communication Plans – Internal & External

Challenges

- So many loans in the system that it's difficult maintaining status updates throughout the process
- Overwhelmed by member calls, inquires and appointments
- Loan team challenged to address both high volume of member inquiries and processing high volume of loans

Solution

Manage member questions while allowing your loan team to stay focused on originating and processing the loan. This can be done with the following tools:

- **Internal Communications**
Develop a daily company-wide report on refinances, purchases and pre-approvals (most frequent member calls) that enables all staff to know commonly asked questions on loans.
- **External Communications**
For refinances and purchases set expectation with members, explaining what is being done on their mortgage and when to expect a call.
- Push applicable information to the Website for easy viewing by members and, where appropriate, by Realtors®
- Take advantage of your call center – find out what are the most frequent questions your members are asking and post the answers on your webpage (Example: provide loan status information).
- Consider using temporary workers to make outbound calls alerting the members of loan statuses before they call.

Technology

Challenges

- Not enough staff or time to process high volume of loan applications
- Integrating multiple systems throughout the loan process
- Managing high volume of inquiries from members

Solutions

- *Invest in technology* - a robust and integrated originations and processing system is a must.

Online loan applications such as Mortgagebot or Prime Alliance are important for managing heavy application volume.

Benefits

- ◆ Online apps allow members to apply for loans on their own requiring minimal loan officer interaction.
- ◆ Online decisioning and disclosures allow loan staff to accept a large volume of new loans while remaining in compliance.
- *Process integration* – Credit Unions work with various systems throughout the loan process. Look for opportunities to integrate these systems, either by exporting data from one system to another or creating a report that gives up-to-date status of the loan or related information.

Benefits

- ◆ When a loan file is ready for processing, it can be exported to the processing division where it can be monitored in a queue of loans to assure timely turnaround.
- ◆ You can design a report that can monitor the queue of applications pending with loan officers to ensure that these loans are not in the queue for too long.
- Use Internet and Web tools to assist with member inquiries (Example: FAQs, Payment Calculators)

Transitioning from the Refinance Market to the Purchase Market

- Be prepared to work more closely with Realtors. This includes setting Realtor expectations on what it takes to process a loan and updating them on what changes are going on in the industry that impact the loan process.

Benefit

- ◆ Enables capturing more of the purchase market business and discounted broker fees.

- Develop a meaningful communications plan with local Realtors.

Benefit

- ◆ It keeps them up to date on your mortgage efforts and any changes in the mortgage process.

- Devise a system to track new members and be ready to expand your business with them.
- Track call-center information to learn what new members are asking about and then reach out to them on their products of interest.

Credits

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