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Mortgage Business Process Transformation 2024 Market Insights™ Excerpt

Leveraging emerging technologies such as Gen AI to streamline customer journey

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Key mortgage market trends shaping the industry

New mortgage originations are declining due to high interest rates	• As interest rates increase, the number of new mortgage originations is declining due to higher borrowing costs and reduced affordability. This decline in loan volume decreases the workload for mortgage service providers, resulting in layoffs or hiring freezes. • Lenders are tightening underwriting standards to mitigate risk, leading to more complex loan evaluations. To address these challenges, service providers are investing in automation and technology solutions to streamline processes and reduce costs.
The changing regulatory framework is focusing on consumer protection	• These changes include stricter regulatory oversight, a revised Community Reinvestment Act, reduced mortgage insurance premiums, a suspension of foreclosures, and increased capital requirements for large banks. • These are aimed at protecting consumers, maintaining market stability, and improving affordability for first-time homebuyers while reducing the risk for lenders.
Fintechs are revolutionizing the small-ticket loans segment by gaining a majority market share	• Fintech companies have a significant market share in small-ticket personal loans, driven by factors such as instant disbursal, flexible repayment terms, and minimal documentation. • Intense competition among fintech companies has led to rapid innovation and product development, offering borrowers a variety of loan options.
The mortgage industry is adopting Gen AI to automate and streamline end-to-end processes	• This includes various use cases, including automating underwriting tasks, creating customer segments, assessing risk, ensuring compliance, providing 24/7 customer support through chatbots and virtual assistants, and using predictive analytics for forecasting future market trends and customer behavior. • These applications of Gen AI aim to improve efficiency, reduce costs, enhance customer experience, and enable proactive decision-making in the mortgage industry.

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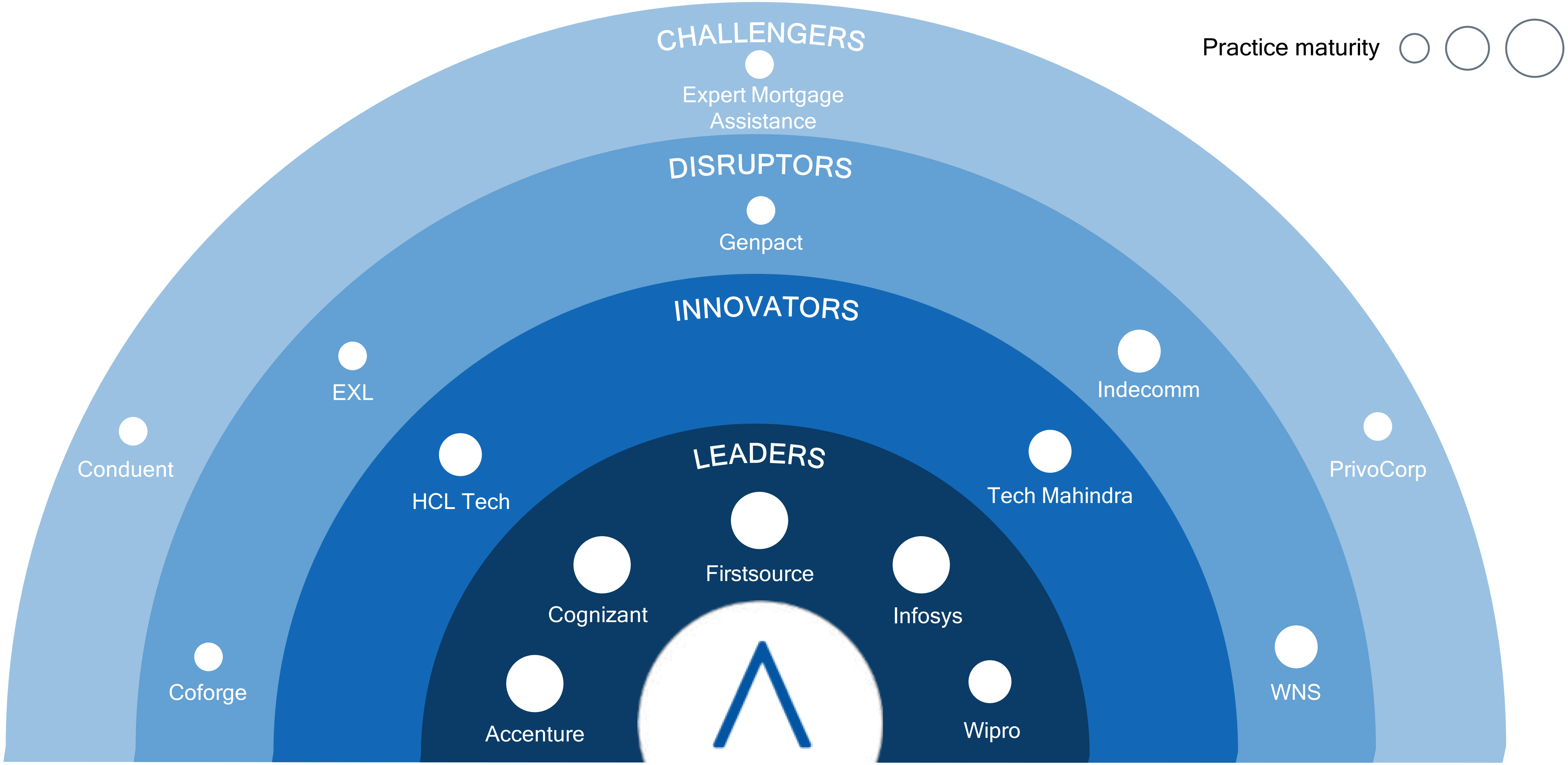
Avasant recognizes 15 top-tier providers offering mortgage business process transformation services



Note: Please refer to Avasant's *Mortgage Business Process Transformation 2024 Market Insights* for detailed insights on the demand-side trends.

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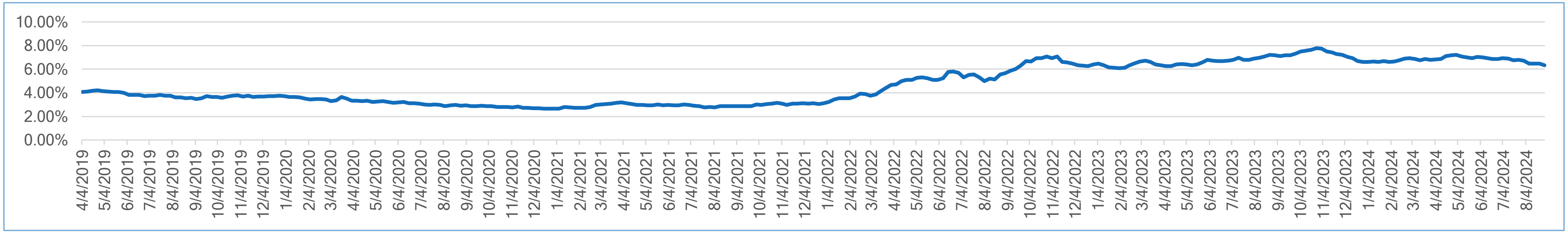
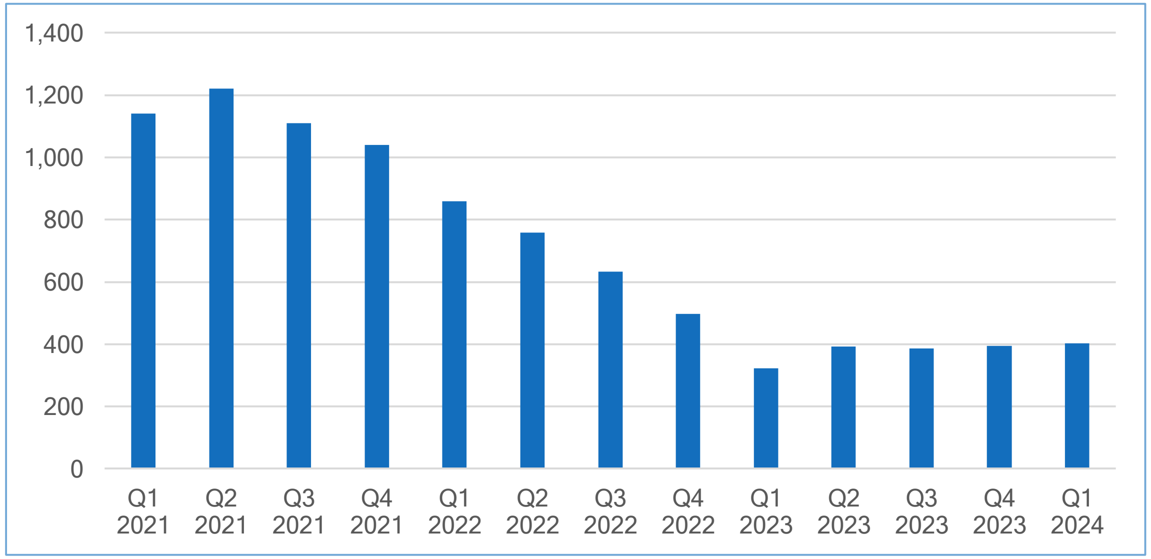
Higher interest rates are causing new mortgage originations to decline

Rising interest rates, coupled with high real estate prices, are acting as a disincentive for potential homebuyers, thereby leading to a reduction in new mortgage originations.

Mortgage interest rates in the US



New mortgage origination in the US (in $B)



Impact on the mortgage services industry

- With fewer loans being originated, the overall workload for mortgage service providers is diminishing.
- Mortgage service providers are finding a need to adjust their workforce to align with reduced loan volume, leading to layoffs or hiring freezes.
- Lenders are tightening underwriting standards to mitigate risk in a higher interest rate environment, leading to more complex loan evaluations.
- To maintain efficiency and competitiveness, service providers are investing in automation and technology solutions to streamline processes and reduce costs.

Sources: Avasant Research; Federal Reserve Economic Data

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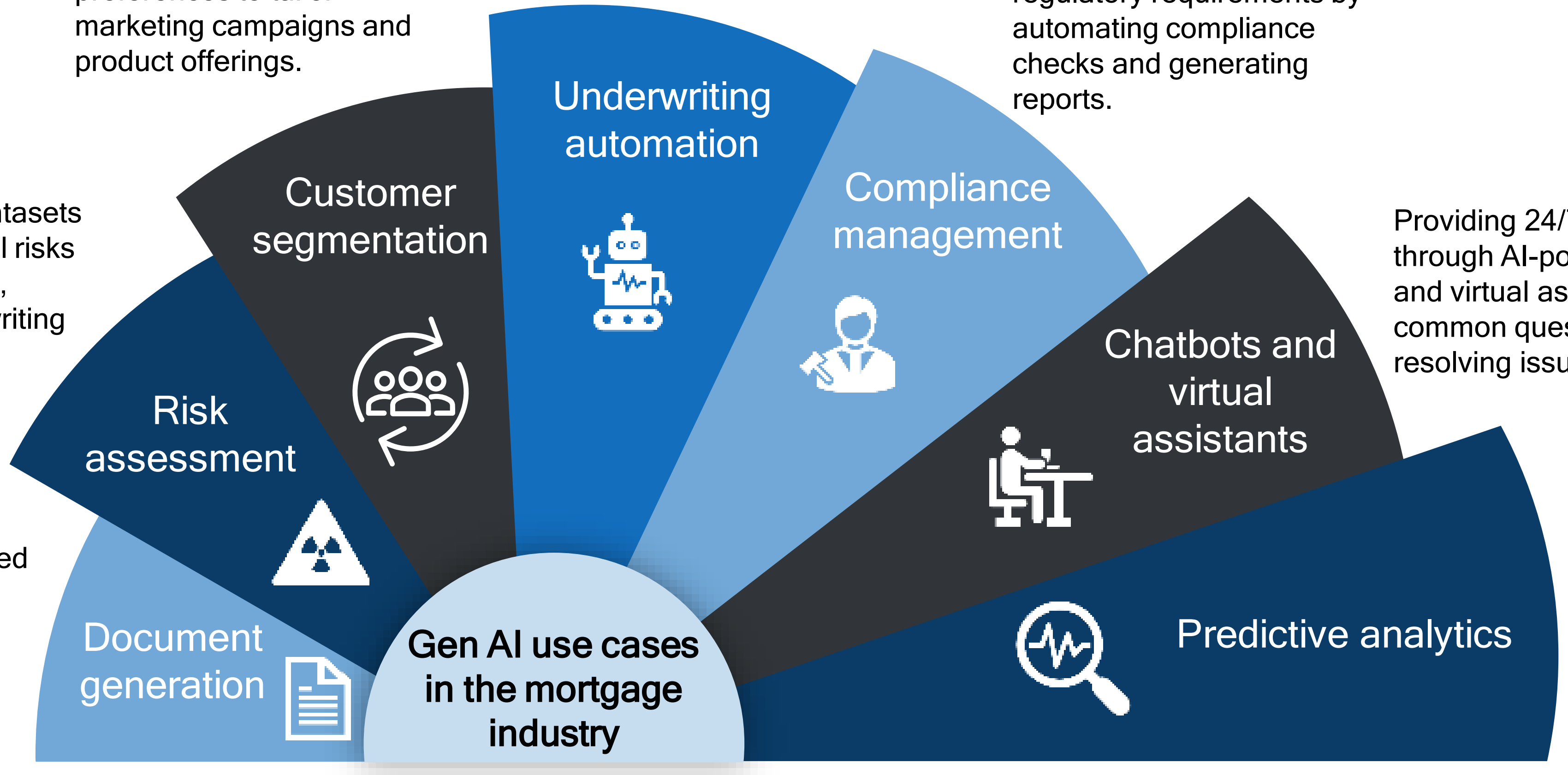
Gen AI is transforming the mortgage life cycle with a wide range of use cases



Generating personalized loan application forms based on borrower information, reducing manual data entry and errors.

Analyzing large datasets to identify potential risks and fraud patterns, enhancing underwriting accuracy.

Creating customer segments based on their needs and preferences to tailor marketing campaigns and product offerings.

Automating underwriting tasks such as income verification, credit score analysis, and debt-to-income ratio calculations, speeding up the loan approval process.

Ensuring compliance with regulatory requirements by automating compliance checks and generating reports.

Providing 24/7 customer support through AI-powered chatbots and virtual assistants, answering common questions and resolving issues.

Using predictive analytics to forecast future market trends and customer behavior, enabling proactive planning and decision-making.

Source: Avasant Research

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