The Relevance and Benefit of Data Validation and Verification throughout the Loan Origination Process

Once a home loan applicant applies for a real estate loan, their life does not stop. It does not resemble in any fashion the portrayal in the 1951 classic movie, "The Day the Earth Stood Still." Life goes on! The dynamic buying, selling, and investing process continues, therefore, the risk profile of a borrower continues to change over time. How a lender accounts for and addresses these changes over the 30-60 day life cycle of the origination process has a direct impact on repurchase risk, time to close, and customer satisfaction.

DataVerify® product experts focus their time and effort in developing technical solutions within its risk mitigation platform to:

- Improve borrower satisfaction
- Reduce cycle time
- Streamline workflow
- Account for the ever-changing risk profile of the borrower

Focusing on these core competencies has propelled DataVerify's significant growth and industry adoption.

The ability to account for loan file changes in real-time throughout the application process provides a lender with a measure of certainty in knowing that ongoing data validation and verification will reduce the risk of an issue before or after closing. Issues such as:

- New or corrected borrower and application data
- New application for credit, changes in loan balance, payment history, delinquency, and collections
- New real estate, home equity or equity line of credit loan
- New parties added to the loan transaction and updates to the various industry watchlists
- New natural disasters that may have occurred after application date but prior to closing

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The DataVerify process permits the dynamic re-evaluation of information throughout the origination process automatically without manually re-entering the same pieces of information.

During this process, customer information is updated incrementally as the loan is reviewed, renewed, or additional credit is requested. Lenders can automatically access data sources associated with the borrower, i.e. property data, income, and asset information throughout the loan origination process. This data verification/validation process minimizes the lender's exposure to repurchase requests due to changes in application information that may take place between the application date and closing.

The DataVerify system is unique in its ability to automate, access, and aggregate the number of data sources and services that are included in its platform.

What form do these data changes take?

A study that accounted for data changes that occurred between the date of application and closing date for over 300,000 loan applications revealed the following:

- An average of 2.85 data changes per application occurred after the initial loan application was completed by the borrower
- Refreshing the loan file data eliminated risk in 28% of total applications reducing the time and costs to review the initially identified risk
- Dynamic data refreshing identified significant additional risk in 1.3% of the applications, potentially eliminating a repurchase
- 14% of the applicants obtained new credit during the origination period
- 10% of credit inquiries resulted in the lender initiating a letter of explanation
- 26.7% of the identified data changes after initial application had a new real estate transaction, non-mortgage debt and/or account status change

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The study concluded that the ability to account for and address data changes associated with the borrower, the borrower's application, and information related to the borrower throughout the origination process helps reduce processing time and costs, reduces risk, and could improve borrower satisfaction or reduce dissatisfaction.

Summary

Information associated with a borrower's application is dynamic and subject to change as is the information contained in a credit report. As this analysis has demonstrated, it is important to account for changes in borrower information and the data sources associated with the borrower throughout the origination process to ensure that all potential risk is considered before closing a loan.

By incrementally addressing these changes, a lender improves the quality of their loan manufacturing process, reduces their risk and exposure to repurchase demands, and ensures a smooth lending process for both lender and consumer.