

## The 2020 Thought Leader Award Winners Are ...

**Jeremy McCarty**

**CEO**

**Valligent Technologies**



The mortgage industry is in the midst of disruption that's being driven by changing consumer behavior and demand. In the past five years, we've seen a significant increase in innovation within the entire lending ecosystem.

FinTechs and lenders are reinventing the mortgage loan process, in particular by using technology to make interactions with their customers frictionless and effortless. In origination, much of the emphasis is around mobile technology, with particular focus on increasing ease of use, reducing time to fund and enhancing the borrower experience. Borrowers are becoming more tech savvy. These days, they're open to a complete digital experience. The Amazon-esque mindset of faster-cheaper-easier is taking hold of the mortgage industry.

This said, the path to progress isn't without its hurdles. This migration to a complete digital lending experience is hampered by lending's inherent regulatory requirements. This makes true innovation a challenge for most mortgage companies. Banks and credit unions in particular want to innovate and adopt new technologies to enhance competitiveness and lower costs, but they're hampered by layers of risk management and regulatory requirements. As a result, it takes months or years to implement new technologies within the industry. By the time they're able to move

forward with their technology plans, the pace of progress brings newer technologies to the market, often making their “new” solutions obsolete.

Jeremy believes: New entrants to the mortgage lending such as FinTech lenders have a distinct advantage when it comes to innovation because they don't have the legacy platforms to contend with. Their platforms began as an innovation and were designed specifically for ease of incorporating new technologies.

For either model, new innovations must be vetted by the GSEs, Agencies and regulators for seamless adoption into a lenders system. This significantly increases implementation timeframes and keeps them ahead of the curve.

Jeremy continued: Tech and automation have been adopted to advance virtually every aspect of loan production, with the exception of the appraisal segment. Even though lenders, the GSEs and FinTech companies have cited the appraisal as the Achilles heel to fast loan funding, it remains very manual process, and one that is fully dependent on the whims of individual independent contract appraisers.

Today, thanks to sophisticated market data and analytics, mobile technology, aggregated comparable data and automated workflows, the appraisal can be accurately and compliantly completed within a matter of a few hours. All of the legwork has been completed. Now it's simply a matter of adoption.

The industry simply needs to accept the concept of a technology-centric approach that incorporates appraiser expertise only where needed, rather than depending on the appraiser for the entire report production. If adopted universally, this process would move lending forward and have a major effect on reducing the time to close a loan.

The average cost of an appraisal is currently \$500, and is one of the largest borrower expenses. The average age of appraisers is over 55 years of age, and there are very few new appraisers entering the field. This dynamic will continue to increase appraisal costs under the current paradigm. An automated, technology approach yields the same quality appraisal, but at half the cost. A technology-centric approach can yield results for as low as \$250, with even lower costs expected in the future.

Finally, utilizing mobile technology for the appraisal inspection significantly improves the borrower experience as appointments are scheduled at their convenience (not the appraiser's) and the inspections can be completed just minutes after the appraisal is ordered. The appraisal inspection is one of the few areas of direct borrower involvement in the loan process and a positive experience there, emanates throughout the loan lifecycle.

Jeremy noted: The appraisal is probably the most significant function of loan production that is due for a major overhaul. By obtaining less expensive appraisals within a few hours, like many of the other loan processes, the final obstacle will be removed to attaining the future vision of lending.#