

Reducing Mortgage Funding Leakage

For a leading US based regional bank operating 1500 branches across 12 states



Challenges

Client buys mortgage loans from its designated correspondent lenders based on specific guidelines issued by government backed programs. The bank faced challenges in:

- Maintaining a minimum credit risk score for all programs
- Increasing loan rejection rates for mortgage loans led to an annual opportunity loss of \$366M



Solution

Historical data analysis

- Performed a detailed due diligence on the client's historical data
- Identified 62,000 rejected and funded mortgage loans

'Look-alike' mapping

- Mapping done for rejected loans with respect to funded loans on various parameters to identify any trend or systematic pattern
- The approach comprised of:
 - Plotting the minimum, maximum, and average values of the parameters for various types of loans
 - Comparing different risk groups to identify loans with similar characteristics across funded and rejected loans
- Identified rejected loans which could be analyzed in detail for being good funding candidates

Quadrant analysis

- Analysis performed to identify the degree of curability of the rejected loans
- Analyzed 60+ variables including risk factors, rejection codes, and customer and lender information, and 350,000+ rows of cumulative mortgage deals to identify data patterns
- Integrated the siloed datasets and data marts to create a unified view and provide access to all relevant stakeholders



\$61M

Funding leakage opportunity identified

The Infosys BPM team developed the following key insights:

- 'Look-alike' mapping helped find out that 700 (~60%) rejected loans had a good risk rating, and could have been purchased
- Quadrant analysis helped identify about 30% loans rejected for minor reasons such as information mismatch, missing documents, or withdrawn in error