

VENDOR PRODUCT REVIEW:

Residential Mortgage Fulfillment

ABA Endorsed Solution: **Mortgage loan fulfillment** (origination, processing, underwriting and closing) outsourced, on a white-label basis, to a third party

Provider: **Promontory Fulfillment Services**

Many ABA banks are re-evaluating their mortgage operations due to the increasing cost, complexity and liability brought about by a changing regulatory and rising interest rate environment. ABA explored solutions that would help banks offer mortgage loans—and do so profitably—despite these challenges.

Problem

The new normal for the mortgage business often requires banks to employ additional resources and/or technology solutions to ensure compliance with a host of new and revised industry standards while confronting intense competition. Costs resulting from these additional resources and technology solutions have squeezed profit margins on mortgage loans. In particular, small- to mid-size banks have either seen their profits eliminated or are booking the loans at a loss. Other banks are electing to exit the mortgage business altogether.

Although this strategy can buffer the bank's bottom line and improve its overall risk management profile, it also carries its own set of risks. If a bank is unable or unwilling to meet the mortgage borrowing needs of its customers, they will likely go to a competitor—exposing the bank to the risk of losing business. This risk exposure is magnified by the fact that mortgages are a fundamental, anchor product.

Other banks, such as those that originate a significant volume of mortgage loans, are also feeling the effects of shrinking margins and high fixed costs. These banks are looking for ways to streamline their processes, remain competitive with borrowers, reduce their production costs and upgrade their technology.

Solution

Promontory Fulfillment Services allows all ABA banks the option to continue offering their customers mortgages in a profitable, efficient, customer-focused way. The bank determines its own product and loan pricing. The bank can choose to keep its loan officers on staff or outsource that function to PFS. PFS performs the processing, underwriting and closing of the loan. As part of its origination strategy, the bank can either elect to retain loans in their portfolio or sell them on the secondary market.

Key Features Include:

- Performance pricing that reflects origination costs of a platform operating at scale—resulting in significant savings for their clients on a per-unit basis
- Transformational technology and user experience through a collaborative lending portal, which is offered by a PFS affiliate

- Capital markets and non-agency services—For clients who choose to use it, PFS offers access to an electronic whole-loan trading platform for disposition of assets on a flow or a bulk basis
- Competitive service level agreements that are customizable and comparable to top-tier lenders
- Delivery of critical and timely analytical reports that support effective pipeline management
- Integrated compliance—PFS experts utilize tools and procedures to keep compliance at the forefront of the overall process flow.

Key ABA Bank Benefits

- Waiver of implementation fees
- 10% discount on transaction costs

Company Background

Promontory Fulfillment Services was founded by a team of experienced mortgage professionals and Gene Ludwig, a former U.S. Comptroller of the Currency. Promontory MortgagePath is led by Bruce Witherell, who was chief operating officer of Freddie Mac and CEO of several national lending platforms.

Along with their affiliates, they have deep relationships with more than 3,000 financial institutions. Combining this network with the extensive experience of their management team, they have created a diversified, efficient, low/variable cost and modern set of mortgage offerings that is unique in the market.

Contact Information



ABA
Deborah Whiteside
SVP, Endorsed Solutions
dwhiteside@aba.com
202-663-5580



Promontory Fulfillment Services
Paul C. Katz
Head of Bank Relations
pkatz@mortgagepath.com
212-652-3511