COVID-19'S IMPACT ON 2021:

WHY BANKERS NEED TO BE PREPARED

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As the world grappled with the COVID-19 pandemic early on in 2020, most of the year was devoted to adjusting to a "new normal." The months have flown by as we've come to adapt to a complex situation that defies a neat solution. With the year now under our belts, it's time for banks to think about how to prepare for all that 2021 might have in store.

Historically, the housing industry has been one of the economy's largest drivers and that has proved to be true for 2020. The housing market indeed helped to propel the country out of its COVID-induced economic hangover earlier this year, boasting a record-setting year for loan volume in the industry. Though a second shutdown has yet to be declared, COVID cases continue to rise in record numbers, meaning remote work and travel restrictions will likely continue into early or mid-2021. Thus, bankers should be continually reviewing potential effects on the industry and assessing how to prepare for changes into 2021.

One thing that remains certain is the continued need to couple enhanced technology and APIs with customer-facing platforms and operational improvements – with remote online notarization (RON) and digital closings being key examples of such. FinTech platforms were well-suited for the curveballs thrown by the pandemic and banks of all sizes quickly deemed them mission-critical tools for maintaining pipelines amidst social distancing and stay-at-home guidelines. With the spike in COVID cases and a new administration on the horizon, banks need to make these platforms and systems a permanent addition to their operations. However, there are other areas in which financial institutions need to anticipate COVID's lasting impact.

SALES STRUCTURES

Historically, sales structures relied heavily on sales people living within their designated regions, which typically consisted of a few contiguous states. With the ability to hop a flight anywhere relatively cheaply, that model has changed and has enabled sales professionals to live anywhere. However, if travel restrictions and concerns for personal health continue, we may see a return to sales people living and working within their "drivable" regions.

ONBOARDING NEW CLIENTS

Sending a team on-site for on-boarding and training has become less of a necessity thanks to technology. With companies forced to pivot to execute with a remote model, many realized the reduced costs of a remote onboarding process. Though by now most banks have remote training and implementation methods in place, they will need to polish their initiatives to ensure scalability depending on the twists and turns of the market. Success in this endeavor includes effective organization and execution of training using various methods to keep people engaged over web training, supercharging the ability of the trainer to "read the room," identifying champions at the client to drive participation, implementation toll-gate adjustments and temperature checks (more frequent and thorough) to keep the implementation on track and successful.

CHANGING WORK ENVIRONMENTS

States that have temporarily relaxed requirements to perform certain functions from a licensed location may be extending those actions until an approved COVID-19 vaccine becomes widely available...or perhaps step out of the 90s and acknowledge the fact that remote work makes sense in today's digitally-driven banking environment, and take steps to modify any existing statutes accordingly. More people are either unwilling to relocate for new job opportunities or have moved out of highly populated areas to reduce virus exposure. It will be interesting to see relocation pattern analysis for 2020-21, as this may also impact our industry beyond recruitment. In addition, as more companies let go of expensive office spaces, or perhaps look for newer space to accommodate social distancing or rotational/shared desk office spaces, are we looking at the demise of the densely packed cube-world to which we've been accustomed?

DOMESTIC MIGRATION TRENDS

The trend of people moving out of cities and back to where the parents or grandparents live will change populations and lending patterns across the country, and property values should adjust accordingly over time. As such, will the cost of housing in San Francisco finally at least level off, while places like Madison, Wisc., experience an increase in their tax base and property values due to higher demand? Only time will tell, but this outcome seems likely.

Another telling detail is the dramatic increase in the cost of lumber we've seen this year. Lumber sellers have enjoyed record profits this year due to an increase in home building and do-it-yourself renovations, according to an article by Bloomberg. Experts in this area do not see any signs of slowing down and expect lumber prices to stay profitable into the near future.

Some areas, such as Colorado, experienced an increase in the number of second homes for sale, many of which were rentals no longer drawing income. This was somewhat countered by people wanting to leave the density of Denver for the mountain air. With the revival of so many of our cities in the past 20 years, we may now be in the midst of a longer-term flight to fresh air and diminished cultural centers and investment within our cities. This will further impact the property tax base and larger urban infrastructure projects, such as light rail.

THE EFFECT ON COMMUNITIES

Lastly, and of great concern, is how all of this and more will continue to impact the disparity we already experience across income groups. So far, we've seen that minority communities and low-income groups have been disproportionately affected by the pandemic. If this is the "great re-tooling" of finance industry, banks will need to amplify their efforts to ensure access for all customers regardless of income level, tech-sophistication or location.

Just as one could not have easily predicted the turn of events related to COVID-19 that have come to characterize 2020, it is equally as challenging to ascertain what the future will hold if current conditions extend into 2021. Though difficult, we can use some of the indicators and trends we've seen in 2020 to plan for every possible scenario to mitigate uncertainty and position our customers and companies to thrive in years to come. The pandemic has undoubtedly altered how business gets done in today's finance industry, and our continued preparedness is the best defense.

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Are you interested in efficiently scaling your mortgage business to meet market demands while lowering your per-loan production costs? Learn more about Promontory MortgagePath's comprehensive solution **here** or by reaching out to at paul.katz@mortgagepath.com.