FirstClose

White Paper

How Structured Decisioning Helps Lenders Close More Home Equity Loans

By FirstClose

Pull-through rates across the home equity industry sit below 50%, and origination costs average around $4,600 per loan. Neither number is moving in the right direction, despite record tappable equity and a rate environment that continues to push borrowers toward HELOCs and closed-end seconds. The disconnect between demand and funded loans often starts in the exception queue.

Misreading the problem

Most exceptions are manageable in isolation, but at volume, without a defined workflow, they accumulate into a pipeline in which every processor and underwriter has to make a judgment call on nearly every file. As a result, underwriting timelines stretch from days to weeks, at which point many borrowers simply abandon the effort.

When lenders treat exceptions as the default mode of operation, they often misdiagnose the root cause of their low pull-through rate, leading to one of two misguided “fixes.”

One “fix” is to treat the issue as a speed problem and focus on compressing the underwriting timeline. However, speed is irrelevant without a documented process to support it. The only thing that changes is the expectation of how quickly staff must make those judgment calls, which does little to materially improve turntimes or pull-through.

The other solution lenders turn to is loosening the credit box to move more files and, thus, recover margin through volume. However, loans are falling out of the pipeline because of a lack of consistency, especially when loans deviate from the standard path, not because borrowers can’t qualify.

Consistency at volume matters more than speed or where exactly the policy line sits. An institution with a clear, well-maintained credit policy and a disorganized exception workflow will routinely underperform an institution with a slightly looser policy and a process that handles every scenario consistently. The gap between those two operations only widens as volume grows.

How FirstClose can help

This is the problem our platform was built to solve. Our Order Management Services (OMS) platform centralizes the ordering, tracking and management of credit, valuation, title, flood and settlement within a single automated workflow, so the data that drives decisioning arrives complete, on time and without manual coordination. Lenders using it have cut manual processing by roughly 85%, with cycle times that once ran 40 to 45 days now compressed to under two weeks for most files.

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XpressEquity, our point-of-sale platform, works upstream of the exception problem. Borrowers get a home valuation, available equity and a pre-approval decision in five to seven minutes, before they fill out a full application. Moving the valuation and eligibility conversation to the front of the process reduces the number of files entering the pipeline with questions that would otherwise surface as exceptions mid-processing.

Putting it into practice

Sharonview Federal Credit Union ran 60-day closings before implementing FirstClose. Their home equity loans now close in under 21 calendar days, with the fastest taking seven business days, and annual volume has increased from $20 million to $56 million. Their CRO described the decision: “We put all our chips on the table. Home equity is stable, secured and meets our members’ needs. With FirstClose, we knew we could scale confidently, and we did.”

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When the exception workflow is structured, cycle times compress and manual work drops, ultimately improving pull-through without having to rethink credit philosophy. If this is the kind of operation you’re working toward, we’d like to show you what it looks like in practice. Sign up at firstclose.com/demo.