Waterstone Mortgage Improves Loan Quality During Time of Rapid Growth and Regulatory Change

The challenge
Waterstone Mortgage has come a long way since it was founded in 2000. Today, this Wisconsin-based, bank-owned mortgage lender has 720 employees nationwide, writing mortgage loans in 43 states. Although a lot has changed throughout the years, a few notable things have stayed the same: Waterstone Mortgage’s focus on quality, its dedication to service, and its LOS partner.

“We’ve been on Encompass since day one, back when we had three or four employees,” said Eric Egenhoefer, president and CEO of Waterstone Mortgage. “Ellie Mae has been our trusted partner ever since.”

Loan quality has always been top of mind for Waterstone Mortgage. Now, as a large company in an industry ripe with regulatory changes, keeping that quality high while operating efficiently is even more critical to long-term success.

“Everyone who touches a loan needs to share responsibility for his or her aspect of loan quality,” said Thomas Knapp, senior vice president and CIO, Waterstone Mortgage. “For us, quality transcends all operational functions. It’s not just one person’s or one department’s job.”

The solution
To that end, the Waterstone Mortgage team has used Encompass’s SDK and other tools within the system to ensure its loans are complete, compliant, and ready to go—the first time.

“We’ve developed tools that let us drill down and measure specific areas of loan quality so we can continually improve,” Knapp said. “We’re also able to track changes to a loan as it goes through the process and send alerts when issues arise, so we can correct these before they impact the salability of a loan.”

For example, the team created an application called Connect Web that pulls live data, pipeline views, and other pertinent information directly from Encompass and funnels it to their loan officers.

A customized disclosure comparison form quickly highlights any changes that occurred throughout the loan lifecycle—and identifies when additional disclosures are needed. A similar screen for lock comparisons gives staff a quick, visual double-check to see if any additional action is required.

“We also use both Encompass Docs and Encompass Compliance Service to strengthen compliance efforts, as well as increase efficiency,” Knapp said. “Anything we can do to automate and simplify steps—while ensuring we do things the right way—elevates our outcomes.”

According to Knapp, it’s a combination of innovation, customizations, and the ability to connect Waterstone Mortgage’s staff with the right data, organization-wide, that makes all the difference.

“We always talk about Encompass being the hub of all of our systems,” Knapp said. “Being able to pull loan data,
“Encompass gives us the tools to automate processes and streamline our workflow, and also enables us to not only improve the quality of our loans but get those loans to the closing table faster.”

Thomas Knapp
Chief Information Officer
Waterstone Mortgage Corporation

borrower data, and relationship data out of Encompass and integrate that into our CRMs, financial systems, and every area that needs to consume that data is key for us.”

Knowledge is not only power, but a critical factor in loan quality.

The results

The year 2016 was monumental for Waterstone Mortgage, with volume increases, revenue growth, and aggressive branch expansion. But, by fully utilizing all the functionality of Encompass, even with these record volumes, the company also made significant gains in loan quality and efficiency.

The numbers speak for themselves.

Decreased Defects

“The number of loan defects we identified and self-reported have decreased year-over-year. To give you an idea of how infrequently we have issues now, in 2016, we self-reported a total of 10 loans, with three repurchases and one indemnification for the year,” Knapp said. “For a company of our size, that’s a very small number, and proof that our quality control initiatives are producing the intended consequences.”

In 2016, the company’s post-close audits show both critical credit defects and compliance critical defects are at 3% or less. A scant 1% of loans shipped to investors now have to be reshipped.

Increased Efficiency

In addition to elevating loan quality, Waterstone Mortgage also improved efficiency. The company reduced its time-to-close by nearly 1.5 days to a 33-day average in 2016, with that number dropping to 30 days in December of that year. Both are well below industry benchmarks.

“That 30-day mark is significant in that it’s the best performance we’ve had in the past two years, even with TRID and all the other regulatory requirements layered on top of our processes,” Knapp said. “Encompass gives us the tools to automate processes and streamline our workflow, and also enables us to not only improve the quality of our loans but get those loans to the closing table faster. For a company like ours that’s 85-90% purchase business, that timeliness is critical.”

Create an Environment of Continuous Improvement

Although Waterstone Mortgage’s loan quality is excellent today, its leaders never stop looking for ways to get better.

“Encompass’s open architecture is key to keeping our loan quality high. If we start seeing defects trending up, or other issues, we can quickly drill down into the data within Encompass to find the root cause,” Egenhoefer said. “I haven’t seen a system out there with that capability, the interfaces, the mobile tools, and the flexibility we get with Encompass. We have what we need to be successful today, and continually improve as we go.”