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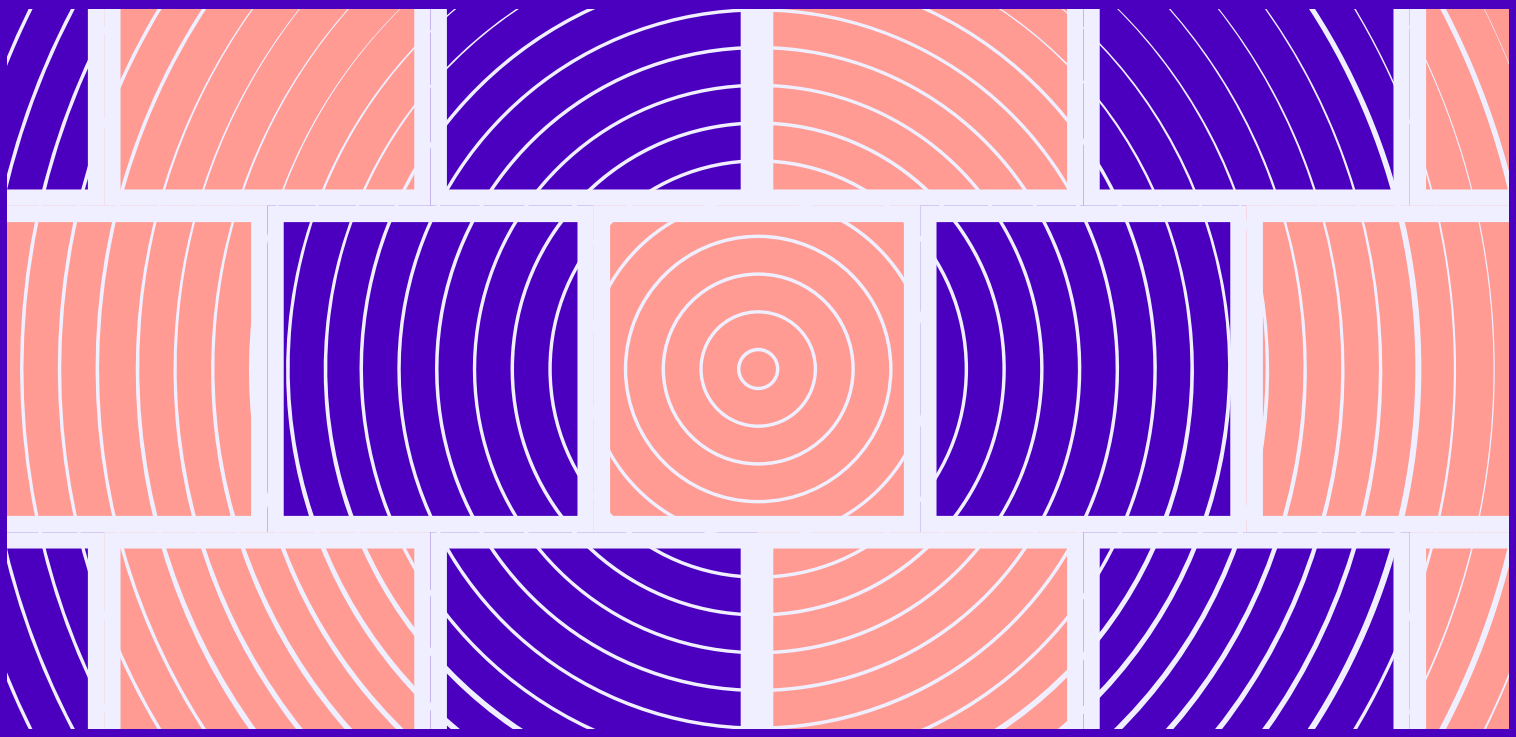
GAINING THE MORTGAGE ADVANTAGE



AN INDUSTRY STUCK IN THE PAST

Mortgage companies must transform how they do business to survive. The two biggest imperatives are to become the lowest-cost producer and to offer the best customer experience. The path to achieving both goals is to become more digital.

Only a fully digital mortgage origination process can give lenders the scalability and speed required to stay competitive. This was true in 2020 and 2021, when there was a surge in refinancing and forbearance work and lenders struggled to keep up with the sudden increase in volume. And it is equally true when refinancing slows and lenders must win market share and lower production costs to maintain revenue.

The manual loan origination systems that served the mortgage industry well in the 20th century are now hindering growth because they are inefficient, expensive, and error prone. In an age when online purchases arrive the next day and consumers can book a car service in less than five seconds, an industry that still requires at least a month to close a loan is ripe for disruption.

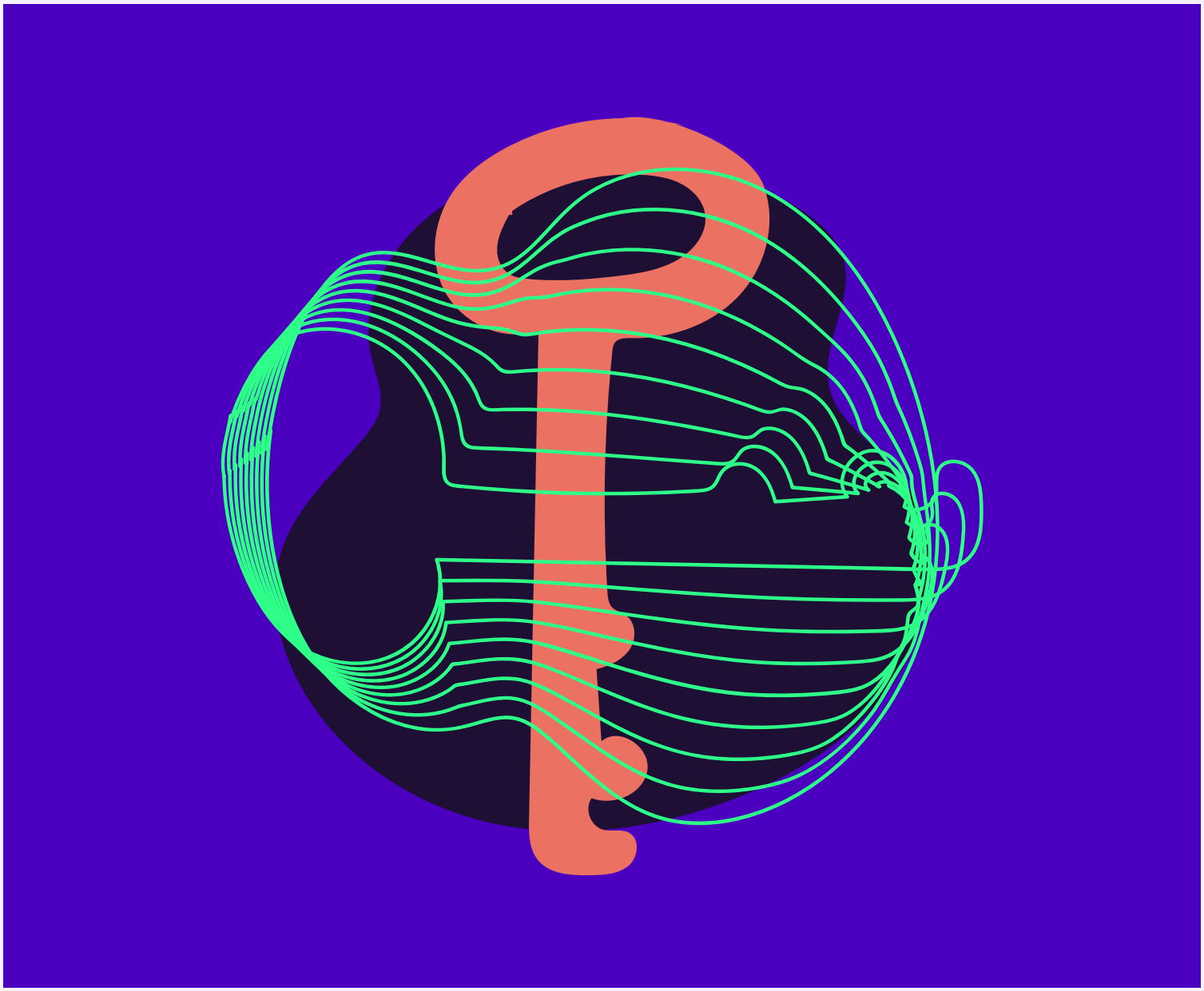
Mortgage lenders have made significant investments in digital technologies, but those investments have been focused primarily on front-end solutions, which is why they haven't proven transformative. Mortgage portals and PoS software have improved the borrower experience, but the back office still runs the way it did in 1990.

Lender adoption of Day One Certainty options is still in the single digits and most borrowers fail to qualify for a fully digital experience, even from the mortgage lenders that offer automated underwriting. The back office is still paper-centric, so production costs remain stubbornly high. Loan origination costs averaged $8,243 in 2021—nearly double the average cost of $4,500 in 2008.

Manual data entry can be time consuming and might lose uniformity over time. Data entered into a spreadsheet is sometimes re-entered directly into other core systems, like CRM or LOS, doubling the effort and creating duplicate records of the same data. This creates significant issues, from the perspectives of storage, lineage, retrieval, audit, and portfolio insight.

The key to unlocking the value hidden in the investments already made by mortgage lenders is to allow information to flow from the front office to the back office seamlessly. That means getting loan officers and underwriters out of the business of reading/organizing loan files and keying borrower data into your systems.

You can achieve this with Applica's unique document automation solution, which converts borrower documents into digital formats that can be consumed by APIs.



THE OPPORTUNITY

Deloitte calls APIs the “connective tissue” that links core systems of record to create a “digital thread.” APIs are a key building block that supports interoperability and design modularity. Regardless of what investments you have made in POS, CRM or LOS systems, APIs can improve the way these systems exchange information, invoke business logic, and execute transactions.

Automated document recognition (ADR) ensures that documents are correctly organized within one loan file, for a more efficient and more accurate alternative to manual processing. Automated document extraction (ADE) accelerates scrutiny of loan file data, improving accuracy and identifying discrepancies between document versions.

This ability to recognize documents and extract key data from them allows the lender to ensure that all documents needed for a complete loan package have been received, indexed, and analyzed and to confirm they are complete and free of discrepancies. If documents are missing, loan officers can immediately rectify problems to avoid last-minute issues that can delay closing. Applica allows all of this activity to occur at machine speed, by reducing or eliminating human stare and compare activities.

THE KEY STEPS TO SUCCESS

The solution to improving both margins and customer satisfaction isn't to break off bits of the process and bootstrap them in silos, but to holistically reframe mortgage origination—starting with seamlessly converting customer documents into digital formats that can enter an optimized digital workflow.

Improving the mortgage origination process does not require lenders to abandon the investments they have already made. Rather, lenders must focus on how to make these various core systems more interoperable, to automate the manual processing of information. This starts with taking the documents borrowers provide and converting them in the first mile to structured data formats like JSON that can be automatically consumed by APIs, so data can flow seamlessly through these systems.

HERE ARE SEVERAL PROBLEMS APPLICA CAN SOLVE TODAY.

1. REDUCING PRODUCTION COSTS

Mortgage origination costs skyrocketed after the 2008 financial crisis and have remained stubbornly high due to complicated regulations. And while various automation solutions promised to solve for this, none of them have truly delivered, because their tech hasn't been able to handle the variability of document types involved in the mortgage lifecycle. (Ours can.)

2. IMPROVING THROUGHPUT

If you can close more mortgages and sell back into the secondary market with the same staff, you can grow revenue without seeing a rise in your labor costs. (That's scalability and it's what we deliver.)

3. BETTER BUDGETING

While employee pay and the cost of outsourcing work keeps rising unpredictably, software comes at a fixed price. Regardless of market ups and downs, you get to stick to your budget. (This is one of the things our clients love about working with Applica.)

4. COMPLIANCE CONSIDERATIONS

Automation based on deep learning delivers accuracy and precision equal to or better than what you get based on staff member document review. Risk of human error is eliminated. Mistakes are minimized. (And these results only get better as work progresses.)

5. DAYS TO CLOSE

According to Mortgageloan.com, it takes an average of 30 days to approve a mortgage–most of which is spent on application processing logistics. Imagine if you could decrease this to just a few days! (Our solution expedites this part of the process, allowing you to recoup your money faster in the secondary market, so you can move on to the next loan.)

6. MARKET SHARE

With the rise in millennials among first-time home buyers and increasing competition from non-bank fintechs, quicker decisioning and processing on loans has never been more important to the bottom line. Younger buyers expect their interactions to be easy, fast, and customized to their specific needs.
If your organization is able to provide quicker turnaround times, you've just increased your market share to include a generation of customers who feel entitled to a more efficient alternative to historically long wait times. (The way we look at it, lenders are entitled to the same advances, too.)

APPLICA'S INNOVATIVE CAPABILITIES

Gaining the mortgage advantage is now a reality with Applica's deep learning-based automation solution. We provide comprehension and extraction of information from nearly all document types involved in the mortgage life cycle—resulting in speed, scalability, and profitability.

While legacy automation solutions can handle basic document types (like W2s and pay stubs), they fail with complex or variable documents (like Agreements of Sale and 1003 forms). So even if you've invested in one of these legacy tools, you probably still have to involve a team of human workers in the overall process. This is time consuming and expensive—and it exposes your organization to the risk of human error.

Because Applica's technology is completely different from anything else on the market, it allows organizations to realize more ROI from their automation investment. Unlike traditional tooling, Applica comprehends all aspects of a document—including layout, semantics, and graphics. Therefore, items like radio buttons, check boxes, and signatures are no longer barriers to automation. And unlike legacy technology, Applica is easy to use and maintain. Coding-free and non-reliant on laborious rules or templates, our solution can be deployed in the cloud or on-premise by non-technical employees.

HOW IT WORKS

APPLICA SIMULTANEOUSLY COMPREHENDS ALL ASPECTS OF DOCUMENTS

Document type: Agreement of Sales

SEMANTICS

Seller: Naomi Lynnea Burr

Buyer: Eric Drake, Tammy Drake

CONTEXT

Sales Price: 448,000.00

LAYOUT

Buyers Initials: Yes

Sellers Initials: Yes

GRAPHICS

11-2-2015

PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

ONE TO FOUR FAMILY RESIDENTIAL CONTRACT (RESALE)

NOTICE: Not For Use For Condominium Transactions

1. **PARTIES:** The parties to this contract are NAOMI LYNNEA BURR (Seller) and Eric Drake, Tammy Drake (Buyer). Seller agrees to sell and convey to Buyer and Buyer agrees to buy from Seller the Property defined below.
2. **PROPERTY:** The land, improvements and accessories are collectively referred to as the "Property".
   A. LAND: Lot 2 Block 1, CB 4730A Addition, City of San Antonio, County of Bexar, Texas, known as 7808 Vista Montan 78256 (address/zip code), or as described on attached exhibit.
   B. IMPROVEMENTS: The house, garage and all other fixtures and improvements attached to the above-described real property, including without limitation, the following **permanently installed and built-in items,** if any: all equipment and appliances, valances, screens, shutters, awnings, wall-to-wall carpeting, mirrors, ceiling fans, attic fans, mail boxes, television antennas, mounts and brackets for televisions and speakers, heating and air-conditioning units, security and fire detection equipment, wiring, plumbing and lighting fixtures, chandeliers, water softener system, kitchen equipment, garage door openers, cleaning equipment, shrubbery, landscaping, outdoor cooking equipment, and all other property owned by Seller and attached to the above described real property.
   C. ACCESSORIES: The following described related accessories, if any: window air conditioning units, stove, fireplace screens, curtains and rods, blinds, window shades, draperies and rods, door keys, mailbox keys, above ground pool, swimming pool equipment and maintenance accessories, artificial fireplace logs, and controls for: (i) garage doors, (ii) entry gates, and (iii) other improvements and accessories.
   D. EXCLUSIONS: The following improvements and accessories will be retained by Seller and must be removed prior to delivery of possession: _____
3. **SALES PRICE:**
   A. Cash portion of Sales Price payable by Buyer at closing ..... $ 5,975.00
   B. Sum of all financing described in the attached: [X] Third Party Financing Addendum, [ ] Loan Assumption Addendum, [ ] Seller Financing Addendum ..... $ 442,025.00
   C. Sales Price (Sum of A and B) ..... $ 448,000.00
4. **LICENSE HOLDER DISCLOSURE:** Texas law requires a real estate license holder who is a party to a transaction or acting on behalf of a spouse, parent, child, business entity in which the license holder owns more than 10%, or a trust for which the license holder acts as a trustee or of which the license holder or the license holder's spouse, parent or child is a beneficiary, to notify the other party in writing before entering into a contract of sale. Disclose if applicable: _____
5. **EARNEST MONEY:** Upon execution of this contract by all parties, Buyer shall deposit $ 4,000.00 as earnest money with Roy Sullivan, as escrow agent, at Stewart Title, 8739 BANDERA ROAD, SUITE 104 SAN ANTONIO, TX 78250 (address). Buyer shall deposit additional earnest money of $ _____ with escrow agent within _____ days after the effective date of this contract. If Buyer fails to deposit the earnest money as required by this contract, Buyer will be in default.
6. **TITLE POLICY AND SURVEY:**
   A. TITLE POLICY: Seller shall furnish to Buyer at [X] Seller's [ ] Buyer's expense an owner policy of title insurance (Title Policy) issued by Stewart Title (Title Company) in the amount of the Sales Price, dated at or after closing, insuring Buyer against loss under the provisions of the Title Policy, subject to the promulgated exclusions (including existing building and zoning ordinances) and the following exceptions:
   (1) Restrictive covenants common to the platted subdivision in which the Property is located.
   (2) The standard printed exception for standby fees, taxes and assessments.
   (3) Liens created as part of the financing described in Paragraph 3.
   (4) Utility easements created by the dedication deed or plat of the subdivision in which the Property is located.

TAR 1601 Initialed for identification by Buyer DS ENL DS JDL and Seller DS MB TREC NO. 20-13

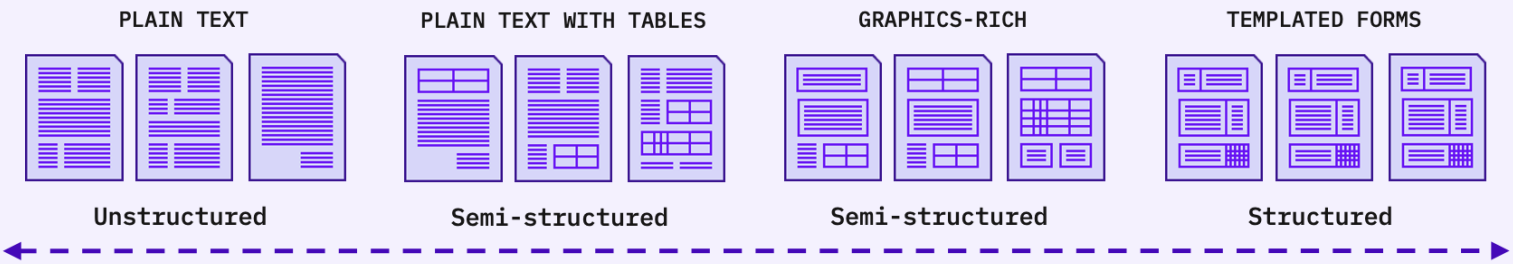
Applica is the single solution designed specifically for swift handling of complex and variable documents. Our technology extracts data from layout, semantics, and graphics in structured, semi-structured, and unstructured document types. Thanks to Applica, variety and unpredictability are no longer barriers to automation.

ABOUT APPLICA

Applica understands any document. Using proprietary deep learning technology, our easy-to-use solution comprehends content like a human does. Now your organization can automate even the most complex and variable documents to free people from repetitive tasks, unlock new revenue streams, and significantly bolster efficiency.

ALL BUSINESS DOCUMENTS

Semantics, graphics and layout comprehension, deep learning



NLP

10% OF ALL BUSINESS DOCUMENTS

Semantics, no layout comprehension

COMPUTER VISION, TEMPLATES, AND RULES

10% OF ALL BUSINESS DOCUMENTS

Human intelligence masqueraded as AI

CURIOUS?
CONTACT US!

hello@applica.ai