Why AI could be the next big thing in mortgage approval

With many expressing dissatisfaction about the speed of the current loan approval process, artificial intelligence (AI) may soon play a major role in deciding how much mortgage one can get.

CoreLogic, a global property and analytics provider, released a blog post saying that the current loan approval process is lengthy and often inefficient — many forms still require a physical signature and several meetings between borrower and lender.

While recent years saw the rise of several companies that try to streamline the mortgage application process, CoreLogic researcher Brandon Brahms argued that it is still unnecessarily long and subjective for many borrowers.

“With so many potential income variables to calculate — from passive and portfolio income streams, like rental and investment revenue, to traditional income sources like borrower salary, raises and bonuses — this process requires multiple touch points and review cycles,” Brahms wrote.

Artificial intelligence often comes up as a potential solution for a quicker approval process — Freddie Mac (the Federal Home Loan Mortgage Corporation) has suggested that it can guide lenders toward better estimating how likely someone is to repay a mortgage through data and statistics, as a Mortgage News Daily article recently pointed out.

Some lenders have already started to make use of it — LoanDepot uses it to give customers mortgage information and offer loan pre-qualification prior to even starting the application.

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But even as some struggle to embrace AI into the mainstream, automation is being pushed for in the industry as homebuyers — particularly millennial consumers — increasingly come to expect a faster process.

“By automating the collection of a borrower’s income data and standardizing a workflow for income analysis and calculation, underwriters would benefit from accelerated processing and more accurate and consistent results,” Brahms wrote.

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