The Inefficiencies & Risks of Using Spreadsheets to Manage Your Mortgage Lending Operations
Spreadsheets are a great tool – they’re familiar and comfortable; easy to print, share, and present data; and they are compatible across operating systems. But, they are also highly inefficient, prone to errors, time-consuming, and redundant.

In fact, researchers from Carnegie Mellon University found spreadsheets have an overall error rate of 947%. The study interviewed a group of executives and senior managers about their practices with spreadsheet quality control and errors affecting data-driven decision making.

The most common errors associated with the use of spreadsheets include inaccurate data caused by mis-keyed data or typos; errors inherited from reusing spreadsheets caused by inconsistency in revised versions, a lack of system integration and a failure to update; errors by inappropriately using built-in functions; and users misinterpreting the output or report due to an incorrect understanding of the spreadsheets’ reasoning. With the widespread use of spreadsheets in the mortgage lending industry, the Carnegie Mellon research brings new light to the issue.

This report further explores the specific inefficiencies of using spreadsheets to manage your mortgage lending and offers suggestions as to why replacing spreadsheets with automation and integration software is a more efficient solution.

### MOST COMMON ERRORS FOUND WHEN USING SPREADSHEETS:

<table>
<thead>
<tr>
<th>Error Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inaccurate data</td>
<td>76%</td>
</tr>
<tr>
<td>Errors from reusing inherited spreadsheets</td>
<td>49%</td>
</tr>
<tr>
<td>Model error</td>
<td>33%</td>
</tr>
<tr>
<td>Errors in use of functions</td>
<td>33%</td>
</tr>
<tr>
<td>Misinterpretation of output/report</td>
<td>27%</td>
</tr>
<tr>
<td>Failure to update</td>
<td>22%</td>
</tr>
<tr>
<td>Copy/Paste</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
<tr>
<td>Lost or saved over file</td>
<td>7%</td>
</tr>
</tbody>
</table>
THE INEFFICIENCIES OF SPREADSHEETS

Not only are spreadsheets highly error prone, they are not a timely or cost-effective way to manage your organization’s mortgage lending operations.

SPREADSHEETS ARE INEFFICIENT BECAUSE OF AN INABILITY TO:

- **Record transactions at the loan level as they occur.** Manual steps must be taken to reconcile your accounts or for sales teams to view and calculate commissions from closed loans.

- **Integrate with your loan origination system and core banking platform.** Additional manual steps must be taken, often involving dual data entry and the remapping of data due to no standardization.

- **Notify and communicate updates or changes to systems and people.** Adding one more step to the process and delaying workflow.

- **Manipulate the data to show profitability and performance by loan type, loan officer, branch, region, or market.** This often requires opening more than one spreadsheet or comparing data across multiple spreadsheet tabs.

- **Easily align small-scale operational activities or individual performance with large-scale company goals.** This alters forecasting and multidimensional analysis capabilities.

- **Contain built in audit trail tracking of who, when, what, and why changes were made to the data.** Auditors and regulators expect this level of detail now.

- **Centralize data management.**

SPREADSHEETS ARE TIME-CONSUMING.

It’s easy to overlook the total time we spend performing manual tasks on spreadsheets. We often overlook the redundancy and justify it when it’s an industry standard and part of a proven business process. However, the time spent on the administration side of a spreadsheet alone is inefficient.

AVERAGE TIME SPENT ON COLLECTING, ADMINISTERING, AND ANALYZING DATA:

- **Collecting & validating data:** 39%
- **Administering processes:** 33%
- **Conducting value-added analysis:** 28%
On average, employees spend 72% of their time collecting, validating, and administering data on spreadsheets. That doesn’t account for the time spent actually conducting value-added analysis on the data and using it to make intelligent business decisions.

This time being spent on optimizing spreadsheets to produce results that meet your unique business needs can ultimately contribute to a loss of potential revenue for your organization. In fact, studies have also determined 63% of spreadsheet users spend at least 6 hours or more per month formatting data into shareable documents.

Think about all you would achieve if you could instead dedicate those 6-10 hours a month to driving growth.
INEFFICIENCIES OF USING SPREADSHEETS FOR LO COMPENSATION CALCULATIONS

To put this in better perspective, we've outlined below why spreadsheets are an inefficient way to manage your loan officer and commission-based employees’ compensation calculations.

Each inefficiency adds additional redundant steps to the manual process of managing your commission-based employees’ compensation calculations on spreadsheets.

• Spreadsheets lack the ability to easily leverage data and analytics as a source for frequently tracking progress and performance.

• Spreadsheets are unable to automatically calculate complex compensation plans. As a result, payroll managers must have full knowledge and understanding of each compensation schedule and allocation for every commission-based employee,

• Spreadsheets don’t automatically integrate with your core banking system and payroll processor,

• Spreadsheets lack ability to automatically calculate all the if this, then that commission scenarios from a newly closed loan,

• Spreadsheets don’t have the functionality to record the reasoning and explanation behind manual overrides,

• Spreadsheets lack tracking and recording capabilities that are necessary for maintaining detailed audit trails of all actions that regulators now expect, and

• Spreadsheets lack the ability to easily leverage data and analytics as a source for frequently tracking progress and performance.

SPREADSHEETS TOLL ON ALL ORGANIZATIONAL DEPARTMENTS

The use of spreadsheets and lack of integration effects all departments across a lending organization. For instance, marketers at financial institutions mention disparate systems, lack of integration, manual reporting, and inability to quickly act on market changes among their top ten biggest challenges.

Most of these challenges are caused by internal processes and directly relate to the inefficiencies of spreadsheets. The good news is internal challenges can be controlled better than external challenges.
With the help of specialized software that leverages automation and system integration you can begin to operate more efficiently. The Mortgage industry operates under a constant state of flux. **Systems and processes must be adaptable and configurable to maintain productivity.** Spreadsheets are the opposite of adaptable and configurable. They require manual updating that often takes time and paying careful attention to detail. The time it takes to adapt your spreadsheets to changes carries risks; risk of lost opportunity to a competitor who already utilizes automation and system integration. Or worse - risk of creating a cycle of constantly rewriting in-house custom codes and processes to keep up with the changing environment.

Getting stuck in this cycle often leads to operating reactively instead of proactively; reactively operating to changing business needs, consumer demands, and a competitive market. Instead, **engage in proactive lending operations - be the driver of innovative trends, consumer demands, and competitiveness in the market.** Take the lead by implementing automated integration in your lending operations today.

**INDUSTRY IN A CONSTANT STATE OF FLUX**

**TOP 10 MARKETING CHALLENGES FOR MARKETERS AT FINANCIAL INSTITUTIONS**

1. No visibility into who visits the website
2. No visibility into visitors’ interests
3. Managing multiple, disparate systems
4. Lack of integration between platforms
5. Outdated/inaccurate contact databases
6. Security for contact databases
7. Manual and insufficient reporting
8. High opt-out rates
9. Low email capture rates
10. Inability to quickly act on market changes & opportunities
MORTGAGE LENDING INTELLIGENCE

Numerous industry studies and reports state driving growth and profitability is one of the greatest challenges financial institutions will have to overcome in 2015 (Banking Priorities 2015 Study from CSI; 2015 Banking Outlook by Deloitte; Fannie Mae’s 2015 Mortgage Lender Sentiment Survey). In order to drive growth and increase profit margins, you need to implement operational efficiency and have access to real-time data and metrics.

To drive growth in today’s industry, you need access to real-time business intelligence. Business intelligence requires more than just merged data though. As does in-depth analysis, accurate numbers, and fast and flexible forecasting. All of these operational functions need powerful solutions; not spreadsheets.

Real business intelligence comes from centralized data that is accessible, accurate, and organized. Your ability to accurately measure and track business performance is better achieved when more data is available to users at their disposal and presented in an easy to read, understand, and retain way. Spreadsheets weren’t designed for this functionality. Especially for the mortgage industry; an industry that has many parties involved throughout the entire lifecycle of a loan. To operate efficiently, the mortgage industry needs greater collaboration, integration, and automation of and

between players, organizations, systems, and processes. Fortunately, there are many solutions built specifically for the mortgage industry that foster data integration and automation so you can leverage business intellect to make data-driven decisions and drive growth.
BENEFITS OF AUTOMATION & INTEGRATION

There are significant advantages mortgage lenders gain by implementing a software solution that provides automation and integration.

AUTOMATION & INTEGRATION BENEFITS FOR MORTGAGE LENDERS:

• Tracking and reporting of all activity at loan, lender, borrower, branch, & company levels,
• Immediate access to user-friendly data.
• Workflow communication notifications,
• Set role and user-based privileges to control who can see and edit information,
• Leverage wealth of information stored in your LOS,
• Tracking and reporting of all activity at loan, lender, borrower, branch, & company levels,
• Systems that are flexible and configurable.
• Self-service capabilities, and
• Immediate access to user-friendly data.

What’s more, are the benefits specific to the mortgage lending industry.

AUTOMATION & SYSTEM INTEGRATION BETWEEN SYSTEMS MAKES IT EASY TO:

• Share, exchange, and collaborate,
• Speed processes,
• Streamline workflow,
• Have complete visibility,
• Constant communication, and
• Systems that are flexible and configurable.
Even in this present day, when technology plays a central role in almost everything we do and is widely available to the masses, we still find ourselves using manual, error prone processes.

Fortunately, there are many solutions out in the market designed to ease the pain points and inefficiencies of managing your mortgage lending operations on spreadsheets.

CompenSafe LO Dashboard was built to alleviate the pain points mortgage lenders feel from the manual processes.

Providing seamless integration between your disparate systems, CompenSafe centralizes data management, reduces risk of inaccurate or outdated information by automatically pulling loan data from your LOS and making it readily available to those that need it, and is the mortgage industry’s only web-based solution for automated loan officer and commission-based employee compensation calculations. Eliminating repetitive, manual tasks and dual data entry, CompenSafe leverages automation, tracking, and reporting so you can efficiently manage your mortgage lending operations.

**COMPENSAFE WORKFLOW PROCESS EXAMPLE**

New loan closed & funded → Commissions automatically calculated → Email notification automatically sent to commission-based employees (LO’s processors, etc.) → Employee validates commission on CompenSafe for payroll to process

CompenSafe helps streamline workflow while simultaneously creating an audit trail of all transactions to help you deliver compliance.
Lending & Banking Automation Software (LBA Ware) is driving technology innovations for mortgage lenders and banks. With a foundation built from first-hand experience working within the operations and IT departments of mortgage firms, we create solutions for real needs. We focus on building software that streamlines data integration and workflow so clients can engage in optimized and efficient business processes.

**ABOUT US**

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**TOP 11 GOALS OF OUR SOFTWARE:**

1. Remove need to enter the same information in multiple places
2. Provide evolving solution that expands in conjunction with mortgage industry changes, trends, and pain points
3. Provide real-time information for you to make data-driven decisions that maximize profitability and enable growth
4. Maintain your operational ebbs and flows
5. Get more from your systems
6. Enhance communication and collaboration across your company’s departments
7. Preserve transparency throughout the entire loan origination process
8. Foster efficiency by constantly updating data so you remain relevant in the market
9. Help you contain costs by utilizing the systems you already have
10. Leverage automation to protect data integrity & limit risks by providing an interactive information & record-keeping system
11. Replace the use of inefficient spreadsheets

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**Lending & Banking Automation Software (LBA Ware)** is driving technology innovations for mortgage lenders and banks. With a foundation built from first-hand experience working within the operations and IT departments of mortgage firms, we create solutions for real needs. We focus on building software that streamlines data integration and workflow so clients can engage in optimized and efficient business processes.
Contact us today to schedule a live demo and see how CompenSafe can put you on a path to optimized and efficient mortgage lending.

#SayBye2Spreadsheets and Start Automating & Integrating

Sources:
- http://www.demandgenreport.com/industry-resources/white-papers/2538-next-generation-financial-services-marketing.html#VTUZcSFvBc
- http://repository.cmu.edu/heinzworks/96/