



## GTE Financial Positions for Future Growth & Scalability with Optimal Blue's Enterprise Secondary Marketing Solution

### OVERVIEW

GTE Financial utilizes Optimal Blue's Enterprise Secondary Marketing Solution, including its product & pricing, pipeline risk and hedging services to:

- + Transform its product eligibility and pricing processes to create a more efficient and accurate experience for the LO and consumer
- + Eliminate manual processes and workarounds throughout the loan origination process
- + Improve its pipeline risk management and reduce hedging costs
- + Expand its delivery options and enable best execution analysis to improve pricing and profitability
- + Position the company for future expansion into more advanced and potentially more profitable delivery and hedging strategies

### LENDER PROFILE

GTE Financial, chartered in 1935, is a \$1.8 billion federal credit union with over 250,000 members headquartered in Tampa, Florida. GTE Financial has experienced substantial growth since 2010 and is a major contributor to community charities and organizations.

The mortgage banking division originates loans throughout Florida through retail, wholesale, and correspondent channels. In 2016, the division originated \$384 million in residential mortgage loans. In 2012, GTE Financial purchased a Florida wholesale lender, which added a new and valuable origination channel and created more lending opportunities for the credit union. The division foresees a bright future as it focuses on expanding origination volumes through its three channels.

## CHALLENGES AND PAIN POINTS BEFORE OPTIMAL BLUE

The mortgage lending division, expanding rapidly after 2012, encountered major technical, operational, compliance, and financial challenges and related pain points. GTE utilized a legacy loan origination system (LOS) that was not designed for wholesale loans. Consequently, the division encountered many issues. Steven Devereaux, Manager of Secondary and Capital Markets explained, "Our previous LOS was really not designed to support the wholesale channel. We tried to make it work, but we ran into major issues. One example was rate lock requests. Our staff had to manually analyze, adjust and approve each request. They also had to manually re-create the rate lock in the LOS to ensure the transfer of essential data to the secondary marketing module. Only by doing all these manual steps were we able to hedge and commit wholesale loans within the system." Rate lock changes were also manual. Loan officers emailed change requests to the rate lock desk. Analysts manually conducted reviews and updated the LOS with these changes while documenting information on paper forms.

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Devereaux expanded on the challenges, stating, "From secondary marketing's perspective, it was painful for pricing, rate locks, exceptions, policies, procedures... just about everything. There were so many pain points. Pricing calculations often made no sense. We did not have an exception handling process."

Multiple workarounds were needed. Devereaux observed, "Almost everyone in the division had some kind of workaround. Processing, underwriting, closing and post-closing, just about everyone had workarounds to make things work. As volumes increased and more workarounds were added, we needed to become more efficient." Establishing product eligibility was also painful. Eligibility functionality was limited, inflexible, and did not support complex analysis. As a result, loan officers had to go outside of the system and into Fannie Mae's Desktop Underwriter to determine product eligibility for applications. Execution in the secondary market was almost exclusively through Fannie Mae's cash window. Other execution options were rarely considered because of system limitations.

Error rates, costs and compliance were negatively affected. Devereaux said, "Manual processes create errors, and errors cost money and can harm your reputation. Errors negatively impacted hedging costs. If something wasn't done properly, 9 times out of 10 it would cost us money. These manual processes also put us out of compliance. Collectively, errors created by manual processes can harm your reputation with regulators and consumers. It's not a good place to be."

## CHOOSING OPTIMAL BLUE AS ITS ENTERPRISE PRICING AND HEDGING SOLUTION

GTE Financial selected Optimal Blue's Enterprise Secondary Marketing Solution based on price, products and services, and reputation. Optimal Blue was the best fit for the credit union, given GTE's simultaneous selection of a new mortgage LOS. Devereaux stated, "It was a natural decision to go with Optimal Blue. It was a strong fit, had unique capabilities to support our entire secondary marketing operations and provided excellent integration to our new LOS. It was the logical choice."

Management completed a financial analysis clearly showing that monthly mortgage technology costs would dramatically decrease after implementing Optimal Blue and the new LOS. Management was convinced that the credit union would receive great value for its investment. Devereaux explained, "As our needs grew, we wanted more precision, more efficiency and better tools. We considered a few secondary marketing options, but Optimal Blue was the industry standard. Its strong value proposition justified our investment. Overall technology expenses dropped by 45%."

The implementation of Optimal Blue's product and pricing engine and secondary services was done in conjunction with the new LOS implementation, and was completed faster than anticipated and was a very positive experience. Devereaux said, "We experienced a very positive implementation process and excellent results when we went live. At the 11th hour, we had to notify our account manager that several major, unexpected, last minute changes were needed. She was a tremendous help and completed the changes under a very tight timeframe. Everything worked just the way we had set it up. Optimal Blue's support was fantastic."

## THE GAINS

Major operational efficiency gains were achieved in wholesale lending, product eligibility and pricing, rate locking, pipeline risk management, and hedging and committing. "Optimal Blue has strong product eligibility and pricing features. Eligible products are clearly identified, as are ineligible products and the reasons for ineligibility. Previously, we were lacking advanced functionality. We'd spend 10 to 15 minutes identifying why a product was ineligible. The entire process is much smoother now. Optimal Blue is a big timesaver."

The rate lock change process was transformed. Devereaux said, "The old manual rate lock change process required a lot of work that could involve three to four people. Today's process is highly automated. The system does the work. Rate lock

change requests are automated, the system retains historical pricing to eliminate guesswork, and users are notified of the changes. The process is clean, easy, and well documented. Optimal Blue is such a big improvement from our previous manual processes." Maintenance of product content and pricing has also been transformed for the credit union. Devereaux explained, "Optimal Blue has improved our ability to maintain and update our existing products, and provides us much better control in the implementation of new products and maintenance of pricing adjustments, rate adjustments, guidelines, and eligibility parameters. We have much better accuracy with product eligibility and pricing that was made possible with Optimal Blue technology and the process improvements it enables."

Major financial gains have been achieved with Optimal Blue. Hedging costs have been cut to 7.5 basis points from 23.5 basis points, and the division rapidly achieved a positive return on investment (ROI) within the first year.

"Our analysis indicated that the ROI would be positive in the first year, which is highly unusual for a SaaS technology investment. Our first-year gain was \$349,000. Typical software projects have three to five-year breakeven periods." Wholesale loan processing has been transformed with Optimal Blue. Internal account executives and broker clients now have absolute certainty that they are receiving accurate and up-to-the-minute pricing quotes. Events such as extensions and relocks have become simple, systematic, and routine as opposed to nonproductive and convoluted file reworks. Processors and closers now have confidence that a file is priced and locked accurately, ensuring an improved internal, broker, and consumer experience.

Management also reports reduced audit and interest rate risks. Auditors have a much better technology platform to conduct compliance reviews. They have access to electronic, detailed

and historical data, enabling auditors to precisely determine the reasons for loan pricing changes. "Audit risk is mitigated because we're using a much better platform for compliance reviews. The pricing audits are improved with automated pricing data. Pricing data is available and verifiable. Previously, we did not have these tools," Devereaux explained. Interest rate risks are mitigated through hedging improvements with Optimal Blue's integration with Fannie Mae. "We love the integration with Fannie Mae's Selling System because it makes it much easier to manage our Fannie Mae commitments. It's much faster and simpler for us since we no longer use and reconcile two systems." The system's automation allows GTE's secondary market specialists to perform hedging activities later in the day, allowing more immediate coverage for late-arriving rate locks. "We have cut our daily hedging time in half while improving our accuracy and risk management."

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GTE has also realized efficiencies because of increased system performance and reliability. The previous LOS was frequently down which caused disruptions for employees. "With our previous technology, we experienced system disruptions weekly. So far, Optimal Blue has experienced near 100 percent uptime. We just do not have downtime with our new platform," he said. Optimal Blue positions GTE Financial well for the future. Secondary marketing now has technology that will permit it to efficiently transition to a future securitization strategy if desired. Management is confident that Optimal Blue's technology, tools and

secondary services expertise will enable it to transition successfully. "In the future, it's possible we may choose to transition to a securitization and TBA strategy from a whole loan cash strategy. Optimal Blue provides us with the tools and secondary expertise necessary for a successful transition," Devereaux said.

## SUMMARY

GTE Financial has eliminated its previous technology challenges and pain points with Optimal Blue. It has positioned mortgage banking extremely well for a future of growth. Manual processes, workarounds, errors and related costs have been eliminated. Wholesale loan processing, product eligibility and pricing, rate locks, pipeline risk management, hedging and commitments have been transformed.

Management believes that Optimal Blue can successfully scale to support much higher volumes. "Our platform is highly scalable. Even if we grow our pipeline size ten-fold, we can continue to operate with Optimal Blue's platform with little need for adjustments to internal processes and no additional capital investment." Optimal Blue's highly scalable solution provides GTE Financial with the confidence to pursue its future growth plans.

## ABOUT THE AUTHOR

Optimal Blue engaged award winning, professional services firm First Wellesley Consulting Group, Inc. to conduct detailed research and gauge client success. Founded in 1991, First Wellesley delivers consulting, strategic planning, speaking, polling and industry research-specializing in the financial services and mortgage industries. Optimal Blue operates the mortgage industry's digital marketplace, connecting originators, investors, and providers with comprehensive secondary marketing solutions, market-leading capabilities and value-added services that deliver results. For more information, visit [www.optimalblue.com](http://www.optimalblue.com).