

CASE STUDY 1 – ORIGINATIONS ACCURACY

Turning Guideline Complexity into Competitive Advantage

A Midwest regional bank closes six compliance gaps without replacing its LOS

At a glance

Institution Type
Midwest regional bank with significant residential originations volume

Primary Challenge
Manual, inconsistent enforcement of loan guidelines across underwriting and closing

Solution
Sapiens Decision - automated decision models integrated into origination workflow alongside existing LOS

Engagement
Multi-year implementation across six loan quality categories

100%
Loan pool rejection rate eliminated

$0
MI cost-to-cures after deployment

3x
Roles eliminated from insurance review workflow

Company Background

A regional bank with a growing residential originations portfolio had expanded its volume significantly without a parallel investment in technology infrastructure. The Loan Origination System in use was aging and lacked modern API capability, creating a gap between operational requirements and what the technology could enforce automatically.

Critical business logic - condo classification, mortgage insurance requirements, flood insurance escrow rules, homeowner's insurance compliance - lived in email announcements, informal training, and the institutional knowledge of individual team members. Enforced inconsistently across underwriters, pre-closers, and closers, these gaps were accumulating into real financial exposure.

The Challenge

Six interconnected guideline failures were creating systemic risk across the origination pipeline:

- Condominium classification errors were triggering GSE loan pool rejections, threatening reduced acquisition prices and tying up warehouse lines needed to fund new originations.
- Mortgage insurance was periodically omitted from loan redisclosures when LTVs changed mid-process, leaving the bank responsible for costs that should have been disclosed to borrowers.
- New flood insurance escrow rules risked being inconsistently applied for loans whose closing dates shifted from the prior year into the new rule period.
- Homeowner's insurance expiration dates were being manually reviewed independently by underwriters, pre-closers, and closers - redundant effort with inconsistent results.
- New product rollouts lacked a systematic decisioning checklist, leaving underwriters uncertain about guidelines and new products going live with unresolved logic gaps.
- Across all five categories, the root issue was the same: important business logic existed only in people's heads and informal communications, not in systems that could enforce it consistently at scale.

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The Solutions

Rather than replace the LOS, the bank implemented Sapiens Decision to create a structured decisioning layer alongside it. An internal Validation Screen enabled staff to trigger decision logic at key workflow checkpoints without changing the underlying system.

Each decision model was purpose-built to answer a specific business question. For condo classification, the question moved from "Is this code correct?" to "What is the correct classification for this loan and GSE?" - a shift in framing that eliminated the default misuse of a catch-all code. For mortgage insurance, the model mirrored the underwriter review sequence, answering in order whether MI was required, whether type and coverage were correct, and whether the certificate had been received. For flood escrow, the model evaluated flood zone designation, closing date, and escrow structure - enforcing the new rule automatically. For homeowner's insurance, data captured in underwriting drove all downstream reviews, eliminating redundant manual steps.

New product teams were provided the complete inventory of business questions embedded in existing decision models - creating a ready-made requirements framework that accelerated each new product launch.

> *No underwriter fully understood when to use each classification code - so the catch-all code was used whenever there was uncertainty. Once that logic was in a model, the answer was automatic.*
>
> **–Mortgage Loan Delivery Manager**

Outcomes

- **Loan Pool Quality.** GSE rejections due to condo misclassification were eliminated. Acquisition price protection was restored.
- **Cost-to-Cure Reduction.** Mortgage insurance omissions on redisclosures dropped to zero, eliminating an entire category of unexpected bank expense.
- **Regulatory Compliance.** Flood insurance escrow rules were enforced consistently across all closers from the effective date, with no exceptions required.
- **Process Efficiency.** Redundant manual reviews of homeowner's insurance were consolidated into a single data-capture step, reducing loan touches and cost per loan.
- **Product Velocity.** New product teams received a structured list of decisioning requirements at the outset of each initiative, reducing go-live risk and start-stop delays.
- **Cultural Shift.** Leadership required that all new guideline changes be documented in decision models before rollout — institutionalizing the decisioning approach across the organization.

Ready to close your decision gap?

Schedule a 30-minute executive briefing with a Sapiens Decision mortgage specialist.

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About Sapiens
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