Is your QC ready for a shift in the market?

"Change is the law of life. And those who look only to the past or present are certain to miss the future." — John F. Kennedy

The one thing that is constant in life is change, and the mortgage industry is no exception. While some market shifts are anticipated, others occur with little warning. Is your quality control (QC) prepared for a shift in the market?

Market shifts can be driven by such factors as regional or national economic changes, fluctuating interest rates, regulatory mandates, or global events such as pandemics. The most successful organizations, in navigating change, have a critical lens on external influences and proactively monitor and respond to the changes, which includes QC. As a quality leader, how are you intentionally monitoring for market shifts to help your firm navigate the changes efficiently with the least impact to quality?

Consider current economic forecasts as an example of market intelligence that QC can turn to for insight. When economic forecasts predict a meaningful decline in refinance business, QC can begin to plan for this market shift. Data that reflects when and how quickly your organization can make the transition should be readily available to QC management and should allow for ongoing assessment of process changes that may be needed.

For example, QC can prepare for a market shift from refinance to purchase lending by creating new sample populations and updating testing processes to help validate and ensure that the purchase-related guidelines are met. Critically evaluating the difference in documentation and policies, as it relates to purchase versus refinance, will help you be prepared and ahead of this market shift.

As lenders evaluate to adjust to market shifts, the most successful organizations will have prefunding and post-closing QC strategies in place to adequately monitor areas of increased risk, ensuring that quality is not negatively impacted. Every market shift event can impact your organization, and each event carries its own unique risks. Understanding the impact of those unique risks can help lenders proactively implement the right set of controls to minimize negative outcomes.

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Next steps

QC departments must play a part in the evaluation of market forces. Using data to quantify the possible impacts of a market shift can help inform management of the types of risks that should be anticipated so that controls can be put into place as early as possible. By carefully considering external factors, you can strengthen your market awareness to effectively help your firm navigate the effect of those influences.

Market shift preparedness starts with understanding your firm's strategy (e.g., growth plans, resource allocations, footprint changes, etc.) and how that strategy may change the firm's risk appetite. On a regular basis, evaluate the data, look for changes that are happening period-over-period (e.g., lock volume, product mix, loan purpose, defect types with root cause), and review micro- and macro-economic data with a lens of market influence to understand how these forces could affect employee or borrower behavior. Keeping an eye to the future enables you to enhance samples and your testing plans to be ready for the change.

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