Podcast Transcript:
Digital Evolution with Srijana Giri and Phil Treadwell

Phil Treadwell, Host of The Mortgage Marketing Expert Podcast
Srijana Giri, Senior Director of Risk Analytics, Single-Family

Phil Treadwell: (00:00)
All right. Welcome back to the Mortgage Marketing Expert podcast. I'm your host, Phil Treadwell. Mortgage Marketing Expert is a proud founding member of Industry Syndicate podcast network. Our mortgage marketing expert today is Srijana Giri. She's a senior director of risk analytics on the credit innovation and analytics team at Freddie Mac Single-Family. She has over 15 years in the mortgage and housing industry, and has an MBA and undergraduate in computer science.

Phil Treadwell:
Prior to Freddie Mac, she held positions implementing software solutions in healthcare education mortgage, which means you're way smarter at computers than the 99% of people listening. Srijana, welcome to the podcast.

Srijana Giri:
Thank you, Phil. Thank you for having me here.

Phil Treadwell:
We're excited to have this conversation. We've had several folks from Freddie Mac on, and you guys are friends of the podcast and friends of mine, and I think this should be a fun conversation. You guys are doing some really cool stuff on the technology side, and like I said, we've had a few episodes so far and we're going to continue that conversation. But before we jump into it, like we were talking about before we started recording, most of us didn't plan early on to end up in the mortgage business.

Phil Treadwell:
So I'd love to have you just share your background, how you got in this business, and how you got to what you're doing today.

Srijana Giri:
Yep. Happy to share, Phil. So like you said, everybody that comes to the mortgage industry and never thinks about, "Yeah, this is the industry that I'm going to be working in." I went to a small state school in very, very cold Minnesota and did my undergrad in computer science. I always knew I wanted to be in the technology field, but didn't realize that I'm going to be so passionate about the mortgage and housing industry.

Srijana Giri:
So after I graduated, I was lucky to be working for Wells Fargo early on in my career, and that led me into the mortgage space. After a few years I left and had a couple stints here and there. I worked with two other mortgage companies in the middle, but with my background in the technology field, I wanted to go try something different.

Srijana Giri:
So I worked in the healthcare field, I worked in the education, but all around innovation and using technology to help the market. And then finally when I had my first son, decided to join Freddie. If I look back at my career, I feel like this role was really meant to be. I feel like I was meant to do this because I'm in the credit innovation and analytics space, and this really allows my technology background and my creative skills and work with data, and the nerdy side of me with all of the risk and policy aspect of it. And deep down inside I knew I wanted to work for a company with a mission, and what a great

way to contribute and work for a housing giant like Freddie Mac that's providing liquidity and affordability in the market space. I love that I get to work for Freddie Mac and the great people here.

Phil Treadwell:
I couldn't agree more. It's fun because you have been able to incorporate so many pieces of your experience and background into one position, and so you can hear how passionate you are about these projects. We're just going to jump right in. I know that something Freddie Mac has been working on and is really an innovator with is this AIM, the Asset & Income Modeler.

Phil Treadwell:
So I want to talk about number one, what does it do, how does it work, and then how it reduced risk as far as underwriting and reps and warrants and those types of things?

Srijana Giri:
Right. I want to take you back a little bit more of the background. Like you said, Freddie has been super focused on innovation and providing access to credit and sustainable home ownership. And then also looking at it from the lender angle, providing that efficiency while being very mindful for the risk aspect of it.

Srijana Giri:
So here at Freddie, and that's how AIM came about, we were getting lots and lots of data here at Freddie Mac. We initially partnered with the FinTech partners that provided access to borrowers' account information, so asset and any income information, and with that data, we were able to mine and gain a lot of insights from it. So what we do and how AIM evolved is that we have a lot of these things that we allowed in the guide.

Srijana Giri:
So traditionally when you originate a mortgage, folks are always used to going back to the paper documentation. So go ahead and collect your W2s and pay stubs, and I'm going to look at that and have my underwriters originate a loan. Now, instead of that and chasing all of the paper documents, you can really have borrower allow and give you access to their bank account information, or allow you access to get your payroll information via some of our partners that we've integrated with.

Srijana Giri:
And then Freddie Mac is able to get that trusted third party source data back into our ecosystem, and we're able to come up with some of the income calculations and some decisions around that and send that results back to the lender. What's really that's allowing is you have the data now directly from the third party, so obviously reducing a lot of risk related to fraud, and we are also giving you all of the calculations upfront so you can gleam insights into Freddie's view of income and assets.

Srijana Giri:
So I think it's just a great way marrying up this digital mortgage revolution that's been going on for the past seven 10 years, and Freddie Mac just has been able to really take advantage of that. In a way, what a great way to be able to come up with this solution, providing value to the lenders and in turn hopefully would be cost savings back to our borrowers.

Phil Treadwell:
Well, I think that's what's cool about this technology is it not only provides more reliable data, it allows the efficiency in the origination underwriting process, but at the end of the day, it also saves money for the consumer because the lender's overhead is lower. But it also, from a sales and marketing perspective, because that's a lot of the angle that I look at, you also have a stickier borrower because you don't have to wonder whether or not their income and assets are accurate, you don't have to provide quite as much documentation as you normally would for a full underwriting package, and that's a better borrower experience because again, the efficiency on the lending side is so important.

Srijana Giri:
That's right. And then along with that also, you get the certainty back from Freddie Mac from a risk of repurchase. So if you are able to get this third party data directly to Freddie, we're able to provide calculation insights, but we can also give you insights and answers back on the rapid warranty related to income and asset as well.

Srijana Giri:
So hopefully that provides a lot more, frees up resources on the lender side then they could go do extra work on the complicated loans per se.

Phil Treadwell:
Absolutely. And I think that the representations, the reps and warrants, the repurchase risk, those types of things, that can be a big cost for lenders at times. Because you do your best to the underwriting process, but there's a lot of human element in there. I know in previous recordings we've had with Freddie Mac while AI isn't perfect, when you take the human element out, there's a very objective approach.

Phil Treadwell:
You go from that subjectivity to the objectivity. But I know that even with income calculations on the origination side, W2 borrowers are pretty straightforward, and there's a few different mechanisms at which we can get that income verified fairly easily whether that's automated VOEs or things of that. But self-employed borrowers is always a more difficult challenge when it comes to these types of things.

Phil Treadwell:
So I'd love to hear about how AIM can really create a leg up for the origination side when it comes to self-employed borrowers.

Srijana Giri:
With the AIM evolution in this journey, we initially started out with more of the wage earners, and then we quickly pivoted because we wanted to allow that overall experience with that AIM suite of tools. We were able to introduce our new offering AIM for self-employed. So with that, the borrower can provide the tax return data to your loan officers or the lenders, and the lenders can use a FinTech partner to OCR that data. So now you're taking a paper documentation, you're digitizing the data, and then you can send that back to Freddie Mac and we're able to come up with the income calculation for various type of self-employed borrowers, which you know are more of your complicated loans and loans that take a long time to underwrite. So we started out with the Schedule C and partnership and some of the different income sources, and more recently we also added rental income calculation.

Srijana Giri:
Because you know a lot of the borrowers that are either self-employed or not have rental properties. So we are going to be able to take that information as well, be able to calculate off of not just your self employed income, but also from the rental income from the Schedule E as well. So we're trying to think of AIM and evolve it as much as possible so it's a holistic solution, not just that we're just serving one type of borrower.

Srijana Giri:
We wanted to be able to make sure that even the ones that are not W2 employed, self-employed, some of those difficult loans, we able to serve that up easily. There is a study that we did, and I think it's published on the Freddie Mac website too for the self employed. With one of the lenders that we partnered with, the cycle time went down from 33 to 22 days. So we know that using some of these digital solution, it's real.

Srijana Giri:
There is data to prove that your cycle time is going down, and there is a cost savings that's associated with. Now, these complicated loans, we're able to do all the hard work for you. And the way I think about this is Freddie is so invested in these digital solution and so up for reducing the risk and provide efficiencies and cost savings for the borrower, none of these matters if the LOs and the industries, they're not adopting it.

Srijana Giri:
We want to really ensure that they're seeing the value in terms of the cycle time and the efficiency gains by using our automated tools in AIM and even ACE with our appraisal waivers, and see that this could be game changer. Digital mortgage is the future. So we're so excited that we're able to take some of these complex problem that has been around in the mortgage industry for quite some time, and to be able to re-engineer those calculations and rules.

Srijana Giri:
We have teams that are focused on building the models and mining the data, so it's very exciting to be able to offer these kind of solutions to the market.

Phil Treadwell:
I think it's exciting that it's not just on a corporate hierarchy. We're talking to originators, branch managers, people that are on the ground every day using these types of things and then helping them leverage to get more business. A lot of local advisors, local professionals, have been fighting the brand X, push button get mortgage model, if you will, but that's what we're talking about here.

Phil Treadwell:
We're talking about, and correct me if I'm wrong on a very practical level, we're allowing people to take those tax return PDFs or those paper tax returns and upload them into... I think there's several different FinTech providers that do it where they're physically reading those standard forms, pulling the data, and then able to do those calculations as a third party and provide that data to Freddie Mac so that we have a more certain income calculation than again, that subjectivity from an underwriter.

Srijana Giri:
That's absolutely correct. And you know that, again, talking back to the risk portion of it, we know and we've done some research on our side, 97% of the defects are related to income. By using these tools, if you are letting Freddie do all the hard work of automating those calculations and you have some certainty around those calculation, you can't really beat that.

Srijana Giri:
So this is really something that's been very exciting for me to personally work on and it's been very gratifying. You had Kevin Kauffman on your podcast couple months ago. We partner very closely with his teams because he's responsible for integrating with our partners and our clients. We work very closely and want to hear firsthand from an innovation angle what's working, what's not working, and always tweaking this to ensure that we're ultimately reducing risk in this space, and providing efficiencies to our clients.

Phil Treadwell:
Well, I think it goes back to what you're saying of actually being able to use it on the street. And I think that that's what most of our listeners are going to focus on, is how do I use that? Well, just what you said. You went from 33 days to 22, I think, was the amount of time. That's a huge amount of time in the mortgage world whenever a lot of real estate partners are wanting to provide a 30 day contract.

Phil Treadwell:
Well, once they get into a contract, sometimes it takes a couple of days to get that contract in and then gather the borrower documentation or whatever. So we're talking about more on time closings which provides a higher service level, which again, in turn provides a better relationship and more business. So while on one hand I think a lot of people may think, "Hey, this is just another piece of technology." What Freddie Mac is doing from my perspective, is not just creating solutions to mitigate risk for people at the top of the house and companies.

Phil Treadwell:
You're providing solutions for everyday originators that help them become more effective and more efficient, which in turn creates more income for them. And I think that's what's exciting about this conversation.

Srijana Giri:

You can do more with the technology. That's the idea. You're not cutting corners. You're in fact reducing risk, like you said, but it's really helping you do more. So you can leverage these kind of things especially for your LOs. How do you distinguish yourself from any other LOs out there in the marketplace? If you've done your homework, all the tools that the GSEs offer even outside of AIM, if you look at some of these other tools that we offer with our Home Possible tools, our Refi Possible, you have all these tips and tricks.

Srijana Giri:

You can go to Freddiemac.com, you can talk to our lender partner integration team, and they're there to support you. And believe me, our focus has not just been on the big lenders, its big and small. Like you said, we want to help somebody that is really interested and wants to be on this path of digital journey.

Srijana Giri:

So there is a lot of ways where you don't have to spend a lot of money. While normally people think, "I would have to automate this solution. This is going to take a lot and it's a process change." Yes, it is a mindset change because you want to now think about this differently. Just not always talking about physical documentation and where you've done business 30 years ago. This is a new way to do it, but it does not have to be costly.

Srijana Giri:

There is so many options that FinTech partners and we can provide that you can start small, but the numbers are real. Using AIM, some of the lenders that we work with that have really utilized these tools really well, we've seen cycle times saving up to 11 days. And when you combine ACE and AIM for example, where you don't have to get appraisal and you are digitally verifying their income, it could be up to 18 days. So it's a game changer.

Srijana Giri:

Another number that comes to my mind is per loan, they're saving up to $2,200. So there's a study that our team here internally did for cost originate and some of the data is available. That study is available on Freddiemac.com as well. These numbers are really staggering. For your listeners and especially somebody that really wants to get into this digital space and don't know how to, I really encourage them to start small and do their homework and read up.

Srijana Giri:

Because there are so many tricks and trip, and you could really be helping a borrower in terms of cost, or even in terms of somebody that not able to qualify non digital data. We can do more to be able to provide access to credit. So it's really interesting space right now.

Phil Treadwell:

I love that. And obviously a hot topic in the industry as a whole is affordable housing. We talk a lot in terms of the real estate, the homes themselves, but I think what gets lost in that conversation sometimes is this type of technology is actually making homes more affordable. When you're talking about $2,200 and the cost to manufacture a loan, that's real world dollars when you're talking of thousands of units a year or a month depending on the size of the lender.

Phil Treadwell:

That's real dollars that are able to provide more affordable options or with ACE when you talk about the appraisal piece of it. Appraisals are getting expensive in a lot of markets because there's a lot of competition when you talk about closing them faster. It's interesting because my mind goes to prior financial crash when there was all these investors trying to create these products where they were either doing their own automated valuation models of some kind, or they're not tracking income.

Phil Treadwell:

We're going into a space that are doing loans that easy, but we actually are getting a real value for our property and we're getting real income calculations. And that's what's really cool is we're making the mortgage industry job easier, but we're still providing real data with real collateral and real qualified borrowers on these mortgages. And that's exciting because we're not going to be trending back to what gave the entire industry a black eye frankly.

Srijana Giri:
Oh, absolutely. I would love to talk to you about our latest and greatest solution when you talk about real income and what do we see in the data. So as of Mark II, I believe, we've gone broad with our AIM for direct deposit offering. This offering is really where asset meets income. We know from a statistics perspective that 93% of all of US have direct deposit income paid into their account.

Srijana Giri:
So what we've done is we've been on this journey of collecting asset data where borrower can give access to our account. So I can say, "Hey, access my checking and savings account," and we can see how much is available in your bank account. This is where you're talking about real qualified borrower. You're not just stating what's on your bank account. We can see live from your asset transaction, your inflows, outflows, what's available on your account, who are you employed with, because we can see from your transaction direct deposit getting paid into your account, and what you're making at what cadence.

Srijana Giri:
So what we did starting 2018, we were on this pilot and journey of mining this asset account data to see what could we do more out of this information? Because bank account has a lot of who you are and what you do. So with that data, we could gleam insights where you work and how much you're paid. So this direct deposit offering, we can take your asset data now and come up with the income calculation.

Srijana Giri:
So I could see that you're a wage earner, Srijana is employed at Freddie Mac and take home pay is X amount every two weeks. So we have models that can figure that out and gross that income back to be able to figure out your estimated gross income from our direct deposit model. Right now for the borrowers, you order that one report on your journey to home ownership, and with that asset account information, I'm able to verify your asset, I'm able to verify your income, and perhaps even in the future, employment.

Srijana Giri:
Think about all the efficiencies you as a lender and a broker are getting, and the amount of time that you're saving your borrower. And in turn, this would be shorter time to close. So this was really exciting and innovative offering that, and I'm very proud to say we're first to market with this, and we've had really good adoption with this. But we just went broad earlier this month and super exciting. You hit on that point of looking at the actual borrower, but we have the financial profile to be able to do a correct risk assessment and provide some certainties around the income calculation and asset calculations.

Phil Treadwell:
That's exciting too because there's lately these non QM offerings where you're having to use bank statements for whatever reason. Again, that's exciting to me to think that we're able to do that type of streamlined approach to a loan, but in a qualified mortgage, in a true conforming Freddie Mac conventional product. That's really cool for people to understand not only what's here, but what's coming.

Phil Treadwell:
Because if this stuff is already here, and I think a lot of people in the industry don't fully know how far we've come with the things that you're talking about. Part of what we talk about with this podcast is to help people become, in this industry, more modern and more relevant. This is what we're talking about with the modern lending platform. This is what's relevant in the markets right now, and so often, people are talking about the big companies of the world.

Phil Treadwell:
And I won't mention any particular names, but they're coming for you and Fintech's coming for you. These are the tools that you can use and still be a local advisor and still have the same advantage, and probably even more of an advantage because you have the same technology at your disposal, but you still have the relationship with the customer and the referral partner on the ground.

Srijana Giri:
Absolutely. I absolutely think of them as the tips and tricks that you have at your fingertips. Even back when you look at 15 years ago, everything was traditional. You had to chase, you could call. Somebody had to either physically give you the bank statement and pay stub. We're no longer in that space. Right now you have all of these tools at your disposal, so I feel like if you are a LO working in this time and age and you're not able to take advantage of some of these digital tools, you're going to be losing.

Srijana Giri:
That's the truth. The future of the mortgage is really digital. So to your point like you were saying, the industry has been so slow to this whole digital evolution, so we're still chasing papers. I think if folks really take the time to understand how far we've come and really understand the power of data and some of the things that [inaudible 00:23:50] has asked us to do, and Freddie Mac is so passionate about leading in the technology front and the innovation front, it's really passionate here.

Srijana Giri:
I work in the single family risk division and work with our policy people day in and day out. It's such a great marriage between the policy side of the house where we can influence the policy and do certain things to help the housing industry, but also looking at the data. So again, we're building all of this to help the industry, so I really encourage your viewers and loan officers and lenders that are listening to really learn about these tools and how you can use this to your competitive advantage. This is going to help you become even better than what you are. We already talked about the cost savings and some of the efficiencies that come with it. But again, I think this is the future, and the more you can unlearn and keep up with this, the better that your business is going to be.

Phil Treadwell:
I couldn't agree more. And I love that Freddie Mac as a GSE is leading this charge because there's been a lot of small, independent, third party companies that have been trying to implement these things at a lesser level, but you guys actually have the ability to gather the... I can't even imagine the incredible amounts of data that you guys have to mine and go through to create these models and really understand what's going on.

Phil Treadwell:
But because you guys are leading it from a GSE perspective, that allows the entire industry to change because we have tools that we can still provide the right types of mortgages to people in a more efficient way. But you were talking about the future of the mortgage industry. I'd just like to ask that question. With the incredible things that you guys are doing now and what's already at your disposal, what's coming? What do you guys even doodling on a cocktail napkin or on a whiteboard, what can we, high level, look forward to in things to come from Freddie Mac?

Srijana Giri:
I won't be able to tell you all of it, Phil, but I'll give you a little bit of insights there. At Freddie Mac as a company, what we are really focused on is access to credit and making sure that people are living the American dream of owning a home. The other piece to it is just making sure it's sustainable. Not just that you can buy a home, but you buy a home that you can keep forever. So with that in mind, we are looking at our data and different ways to mine that data to improve access to credit, and so that's the realm we're looking for.

Srijana Giri:
So some of the asset and income data and employment data that's available, especially some of the things that my team or our team is focused on here, is really looking at data to see can we responsibly expand access to credit with the use of that data? That's why it's so important for the LO's to think about this data not just in terms of, "Oh, I'm just going to verify income and asset." There is going to be more to it.

Srijana Giri:
This is going to evolve, and we are looking at opportunities and ways to evolve and innovate this market at least for the next couple of years, and I'm sure we're going to be really focused on making sure that we're improving access to credit, so we're really going to be using a lot of the data at our disposal to do that.

Phil Treadwell:
That's really cool. I can envision a time where someone fills out an application, we have all this third party verification and we're spitting out, "Listen, here is the exact price of home, here's what your payment's going to be, here's the areas where you can find those homes based upon insurance and tax rates." I don't feel like it's that far in the future to where when people say, "How much do I qualify for?" We're giving them a very different answer than we're able to give right now, and what's exciting about this.

Phil Treadwell:
Because I think at the core of what we do in the industry, it is about access to credit. It is about helping people achieve that dream of home ownership. It provides an incredible living for a lot of people. The housing industry is obviously massive, and I think that the mortgage and real estate's been a bright spot, especially in the last couple of years with what's happening. And so to see that even through that we're still progressing, is very exciting.

Srijana Giri:
I just believe that with this tremendous amount of data and not just in the origination space, Phil. Because as a GSE and Freddie Mac, we're looking at all angles. You've heard eMortgage space and even in the servicing space, not even the origination space, we're really working hard to be that industry leader in terms of boosting our technology to provide some of these efficiencies.

Srijana Giri:
So it's really exciting, and I love that we're able to influence the industry and help in a positive way, so really looking forward to doing a lot of the work in this space to increase that access to credit.

Phil Treadwell:
This is the question that literally just popped in, and this may be off script so who knows? We may have to edit this out later. Do you think that when you talk about the servicing aspect of it and some of the modelings and eMortgages, whenever you guys look at the servicing portfolio and see little quirks that happen on... There's a spike here on slow pays or defaults or whatever else, does that trickle back in and say, "Okay, in the modeling you guys have on the AIM side, as we're looking at the assets and income, here's a little outlier of we need to adjust for that."

Phil Treadwell:
Is each department, I guess is the question, talking to each other as you guys are saying, "Here's the modeling of what we think the income is versus how they're servicing that portfolio after the fact?" Are those two talking to each other and you guys are approving your modeling based upon what servicing or property valuation? Are those teams actively sharing that data with each other?

Srijana Giri:
Yeah. And Phil, I'll give you my answer what I know of, because servicing is not my expertise or that space. But we do work very closely, definitely with the QC and a lot of the servicing data. I remember especially during COVID tracking the forbearance and things like that. So a lot of the data is shared across Freddie and especially because we want to know the performance of these loans.

Srijana Giri:
Even for AIM for example, we started out with AIM for income with one of the first FinTech partners, and now we've integrated with them for six, seven years and we have a lot of the data. So we can historically see how those loans perform, and we definitely bring some of that data and insights back into building some of the tools and just closely, not so far at the servicing space.

Srijana Giri:
We monitor this data quite often with our QC too. We'll sample a certain portion every month, and so we have these robust controls that we've put in place just from the loans that come in the door and how they're doing and how they're performing, and did they do what they're supposed to do from whatever the documentation or any condition? That kind of space, and then on the other side with the FinTech partners, also making sure that we're doing due diligence of the data.

Srijana Giri:
This is the source data and the FinTech partners are a bridge between the financial institutions and the GSE. We've partnered with a lot of big banks as well, so we're able to directly get the data from them as well. But in terms of the aggregators and FinTech space also monitoring the data and the quality of data is super important to us, and I have my one team just solely dedicated on that particular effort.

Phil Treadwell:
That makes total sense. The teams obviously work close together anyway, but you guys have a lot of your own data based upon just the sheer amount of time that you've been working with some of these FinTech companies to begin with.

Srijana Giri:
Right.

Phil Treadwell:
That's awesome. Well, I want to ask one last question, and we ask this of all of our guests, and that's if you could just give one tip to mortgage professionals today to go out to use to build their business, what would it be?

Srijana Giri:
For me, I would think that, and I know we talked about a lot of this, we are going digital in the mortgage space. There's no denying that. So I think starting small maybe for the lenders or LOs that's looking to do some of this, do your homework. You learn about AIM because we have suite of tools, AIM for assets, AIM for payroll that you can use for wage earners, AIM for self-employed, now AIM for direct deposit. To your point, a lot of people may not know about it.

Srijana Giri:
So go learn some of these things and tips and tools that are available, this technology that's available at your disposal, but you don't have to feel so overwhelmed about it. Just start small, and then you can always go and tweak and make it better. Even the largest providers and banks out there we've partnered with, they start very small. They start with a couple of their LO's and just do it as a pilot for some time, and they learn, and they tweak, and they broadly roll it out.

Srijana Giri:
So I would say that don't be overwhelmed by so much technology that's coming out in the mortgage space, but start small and that, I think, would be the key to success. Leveraging these tools and making sure that you're keeping up with the industry, that's going to be my one tip or my one suggestion.

Phil Treadwell:
I love it. I love it. It falls in line with one of our most important principles that we talk about a lot. It's about consistent and persistent effort over time. Start small, dive in, educate yourself, understand a tool, and continue to add, as you say, more tips and tricks to your arsenal. Srijana, you've been an incredible guest, I appreciate you sharing the time. We'll definitely have some links in the show notes and we look forward to catching up again really soon.

Srijana Giri:
All right. Thank you, Phil. Thank you for having me here. It was a pleasure.

Phil Treadwell:
It's my pleasure.