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What Contract Mortgage Processing Involves and How to Locate an Outsourced Loan Processor by [Amitaabh Saboo](#)

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Contract mortgage processing is not as complicated as it sounds. It refers to an act of entering into a contract with a self-governing loan processing firm. The contract is usually between a lending institution such as a bank and an external service provider. The lender enters into an agreement with an outsourced company for many reasons. Each party, however, has something to give and take. The lender pays for the agreed outcome and the outsourced firm uses its resources to produce a payable outcome. This is all contract mortgage processing is about. As many people would attest to, the conditions for doing business in any industry in the U.S are difficult nowadays. Lenders, in particular, have to comply with volatile laws and policies in addition to the growing competition.

This adds to their normal expenditures and reduces the amount of money that can be used to expand operations. For that reason the only way to survive in today's lending environment is to shorten the closing cycles and to receive payments sooner. It is thus not surprising that several banks and financial institutions are looking into contract mortgage processing these days. They are doing this to do away with mandatory requirements that an in-house staff demands. For instance, the employees have to receive salary every month in spite of their absenteeism. What's more, they have to use ergonomic furniture and computer hardware to be more productive. Employees are required by law to receive overtime wages, health benefits, maternity leaves and other perks.

Contract mortgage processing automatically eliminates all these overheads and office operation costs. This is because a lender deals with another company that is fully established and equipped with all resources. When the in-house loan processing unit is removed a mortgages provider can avoid recruiting, training and re-train staff. The above advantages and many others cannot be expected from just any outsourced mortgage processor. An organization that wants to assign its loan application tasks to an outsider must do its assignment perfectly. Simply put the hiring company has to locate a reliable outsourced loan processor in a given state. There are few processors who sign contracts with large lending organizations that do business in the entire country. So the amount of orders that an outsourced company handles each month counts a lot.

Prior to forming a contract mortgage processing deal with any company, find out the supported types of loans such as VA, FHA and others. Another thing to reflect on is the actual activities that the external service provider gives such as the loan set up, pre-underwriting, underwriting, pre-close and close. Let the service provider explain what each stage includes, how long it takes and how much it costs. Speaking of costs, a lender must not sign a contract without understanding how the contractor arrives at the current fees. Besides, it should be clear when the fees must be paid, how they should be paid (payment methods) and if there are conditions that excuse the lender from paying any fees. The lending institution and the contractor must decide the terms of dissolving the contract mortgage processing deal.

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