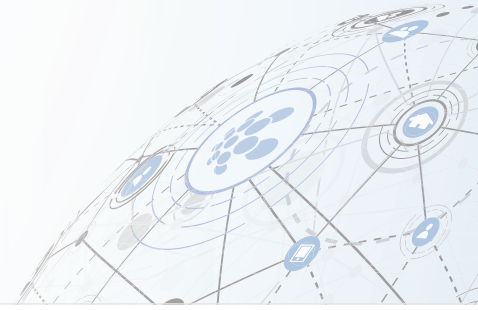


# A CAPITAL MARKETS PLATFORM THAT PAYS FOR ITSELF

How CompassEdge is maximizing margins for Premium Mortgage



**Premium Mortgage's leadership knew they wanted to make a change to the legacy hedging service and software provider managing the lock desk, hedging, and committing loans for the business. Optimal Blue's service, guidance, and technology would prove integral to fixing a pricing error and driving ROI.**

## THE CHALLENGE

Premium Mortgage Corporation (Premium Mortgage), headquartered in Rochester, New York, is a residential lender offering a wide variety of loan programs in more than a dozen states.

For 10 years, Premium Mortgage relied on a legacy hedging service and software provider to manage its lock desk, hedge, and commit its loans. Over time, the company's leadership became concerned that its hedging provider was not fully engaged in the relationship and was not adequately managing the hedging of its position, possibly leaving money on the table.

"We weren't learning from our past trades and, more importantly, we felt like our hedge instruments were not keeping up with the market," explains David Gates, chief operating officer at Premium Mortgage. "We didn't believe we were getting the best execution."

"We felt we were falling behind even as the market was moving faster and that we needed more guidance and support from our hedging and trading partner," adds Scott Nicoletta, Premium Mortgage's controller.

The company's leadership started researching alternative hedging and analytics platforms, kicking the tires and asking industry partners questions and their recommendations. "At one point, we were on a call with about a dozen CFOs, and several of them had a lot of positive things to say about CompassEdge by Optimal Blue," recalls Gwen Falbo, chief financial officer at Premium Mortgage.

For years, Premium has used Optimal Blue's product, pricing, and eligibility (PPE) engine to price its loans competitively. "We knew Optimal Blue would be a great place to start our hedging and trading search," Falbo says.

## THE SOLUTION

After interviewing several vendors, Premium Mortgage inked a full-service contract with Optimal Blue for CompassEdge in 2024. CompassEdge is Optimal Blue's innovative hedging platform that builds off the CompassPoint, Optimal Blue Secondary Services, and Resitrader platforms, combining pipeline risk management tools and analytics with loan sale and mortgage servicing right (MSR) valuation functionality.

CompassEdge is designed to enhance risk management and loan trading strategies and support the needs of originators of all ranges and types. The platform combines the strengths of Optimal Blue's earlier hedging and trading solutions to offer world-class analytics, ease of use, and true best execution in a unified platform.

As the project kicked off, the Optimal Blue PPE provided Premium Mortgage support to move away from the costly outsourcing of lock desk management to bring its lock desk back in-house. This alone saved Premium thousands of dollars a month. Connecting the PPE with CompassEdge would go on to yield synergies in secondary performance.

Meanwhile, the Optimal Blue implementation team - which would remain on the account post-implementation as its frontline service team - undertook a

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complete forensics review of Premium Mortgage's hedging and loan-selling processes to gain a deeper understanding of how the lender needed to hedge and trade loans so they could configure CompassEdge to Premium's exact needs.

"We were impressed from the start by their approach to poring through our previous system to better understand our process and by how they would freely share best practices as the project moved forward," says Gates. "Because Optimal Blue is so well entrenched, you're really learning from the experts. It quickly became a complete partnership as we learned from each other."

"It was a smooth transition," adds Monique Flanery, secondary marketing manager. "We've always been able to reach out to our Optimal Blue account team with questions, and they reach out to us, too, with different things that they see on the report or something that's going on in the market."

CompassEdge was configured, installed, and tested by the Optimal Blue team within 60 days, going live in May 2024. Because Premium has a full-service hedging and trading agreement, the Optimal Blue team commits Premium's loans and manages daily hedging activity. The client support team reviews results with the lender weekly, and sometimes more often, to ensure everyone understands day-over-day G/L and position reconciliation and how hedging results compare to previous analytics.

"Adopting the Optimal Blue platform has been a really smooth transition. We've seen savings since day one, and the ongoing improvements in how we hedge and trade loans continues to yield more ROI," Gates says.

## **RESULTS**

### **+ Accurate pricing and execution that pays for itself**

Early on, Optimal Blue discovered an error in how Premium Mortgage's previous provider had been pricing most of its loans. By catching this ongoing pricing error, Premium Mortgage's investment in CompassEdge saved the lender enough in lost revenue to pay for itself.

"We were able to fix a problem that we didn't know even existed," says Monique Flanery. "So now our team has more accurate pricing on our end for when we lock the loans or give exceptions to certain information."

### **+ More accurate modeling**

Ninety-five percent of Premium's business is within the state of New York, which has specific nuances in pricing and execution that were not reflected in the more generic slotting modeling used by its previous provider.

### **+ Ability to track loan-level durations**

The legacy system's limitations included a narrow focus on mapping loans to coupons based on note rates, which oversimplified the process of determining loan durations. In reality, accurately calculating loan durations requires considering a multitude of loan characteristics, not just the note rate-to-coupon correlation. By putting a more precise duration on each individual loan, as well as the MSR value, Optimal Blue enables lenders to gain greater correlation between their hedge and the price movement of loans.

### **+ Fast delivery and customization**

Optimal Blue's experienced implementation team (which is now the lender's hedging and trading client service team) conducted a full breakdown to understand the client's processes and pain points so they could configure CompassEdge from the ground up. This attention to detail is already paying dividends according to Premium Mortgage because CompassEdge is a system they can all use to access and understand loan-level data to boost profitability.

### **+ User-friendly interface**

The CompassEdge dashboard features a user-friendly interface and produces daily, weekly, and monthly reports accessible to teams handling pricing and hedging and the company's leadership. Premium Mortgage also can download custom Excel reports on an

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as-needed basis. “With our previous platform, we had a lot of information on a bunch of Excel tabs we had to toggle through to find nuggets of information,” says Flanary. “Now we get a PDF with essential information so we can find exactly what we need.”

**+ A true and ongoing partnership**

The Premium team has been relieved to now have a full partner for locking, hedging, and selling its loans. “Optimal Blue has been highly responsive in every step of this transition and is in constant contact with our secondary team and executives to ensure we’re getting the most profit we can from each loan,” says Flanary.






**Ready to maximize profitability in your lending operations?**

**Contact Optimal Blue today to optimize your competitive advantage.**

**ABOUT OPTIMAL BLUE**

Optimal Blue effectively bridges the primary and secondary mortgage markets to deliver the industry’s only end-to-end capital markets platform. The company helps lenders of all sizes and scopes maximize profitability and operate efficiently so they can help American borrowers achieve the dream of homeownership. Through innovative technology, a network of interconnectivity, rich data insights, and expertise gathered over more than 20 years, Optimal Blue is an experienced partner that, in any market environment, allows lenders to optimize their advantage from pricing accuracy to margin protection, and every step in between. To learn more, visit [OptimalBlue.com](https://OptimalBlue.com).

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