

AI in Mortgage Lending: Understanding the Industry's Critical Transition

New research on where lenders stand today, what's holding them back, and where they're headed

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Introduction

The mortgage industry's adoption of artificial intelligence represents a critical inflection point. Investment is accelerating, pilot projects are expanding, and senior leadership is increasingly committed to AI as a strategic priority.

Yet, while AI has moved into active deployment, significant challenges remain in scaling from isolated use cases to enterprise-wide implementation.

To understand how mortgage leaders are approaching these strategic choices, HousingWire partnered with DocMagic to survey executives across the mortgage ecosystem.

This report examines how mortgage leaders are approaching AI transformation—their investment plans, implementation status, and the strategic decisions that will determine competitive positioning.

Key Findings from the Survey

- 66% of mortgage lenders are already using or investing in AI. 77% plan to increase investment over the next 12-24 months.
- While 28% are actively rolling out AI across multiple areas, no respondents described their implementations as "mature" or "enterprise-grade."
- AI requires digital data to function. Only 38% have achieved high digitization (76-100%) and can deploy AI immediately. The remaining 62% face digitization barriers first—creating a competitive divide.

- About 70% of lenders plan external partnerships rather than building AI in-house. But not just any partner will do. Success requires vendors who combine mortgage expertise with technical capability. They must navigate legacy systems and integration complexity. And they must embed governance and compliance from day one, not retrofit it later.

The question is no longer whether to invest in AI, but whether your organization can deploy it now or must first build the digital foundation your competitors already have.

Read on to explore where lenders see the most value, the barriers they face, and how leading organizations are navigating the path to successful implementation.

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Section 1

The State of AI Adoption in the Mortgage Industry

Broad Adoption, Limited Maturity

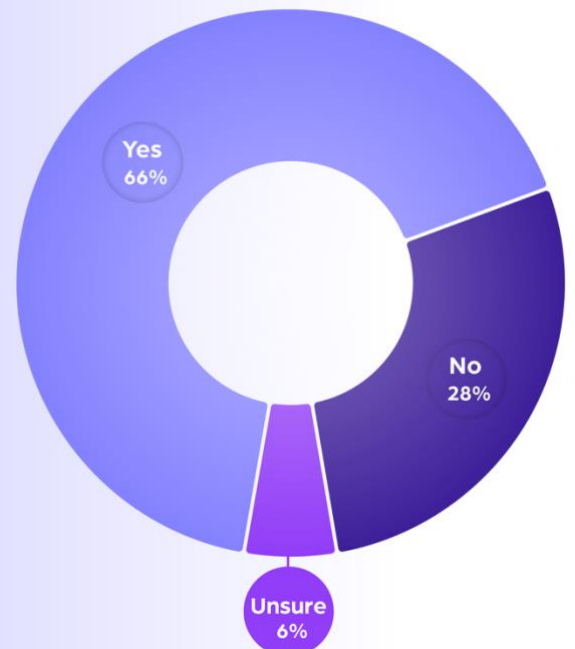
Our survey of mortgage executives reveals that 66% of lenders are using or investing in AI technology. This represents significant momentum—more than three out of five lenders have moved beyond evaluation into active implementation.

The current state of AI adoption is characterized by pilots, proofs of concept, and isolated use cases rather than holistic adoption across the loan lifecycle. That said, some lenders are moving beyond single-use cases to test AI across multiple operational areas.

However, adoption maturity tells a more nuanced story. While 28% are actively rolling out AI across multiple areas of their operations, none of the respondents described their AI implementation as "mature" or "enterprise-grade." This gap between adoption and maturity is no surprise, especially for an industry as regulated and risk averse as mortgage lending.

AI Investment/Use Across Mortgage Operations

A majority of respondents were using and/or investing in AI in mortgage operations

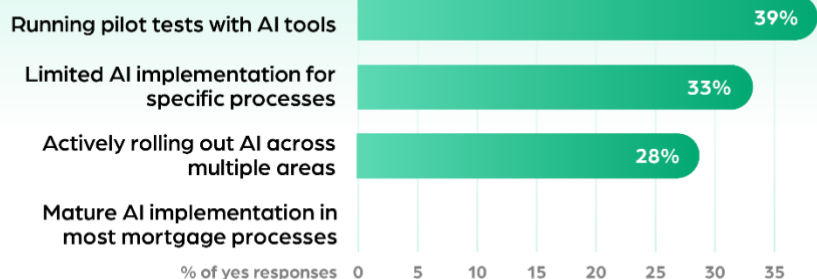


Source: HousingWire DocMagic

Current State of AI Implementation Maturity

No survey respondents said their AI status is mature

Source: HousingWire DocMagic



Investment Momentum is Building

77% of lenders surveyed plan to increase AI investment. This includes many of the 66% already using AI, signaling that current users see value worth expanding, not just new adopters entering the market.



The small cohort not planning to increase AI investment risks falling behind as competitors realize faster processing, lower operational costs, and efficient scaling without staff increases.

As AI adoption accelerates across the mortgage industry, the question is no longer whether to invest in AI, but how to implement it successfully. That means understanding where AI delivers the most value, what foundation it requires, and what barriers stand in the way.

Section 2

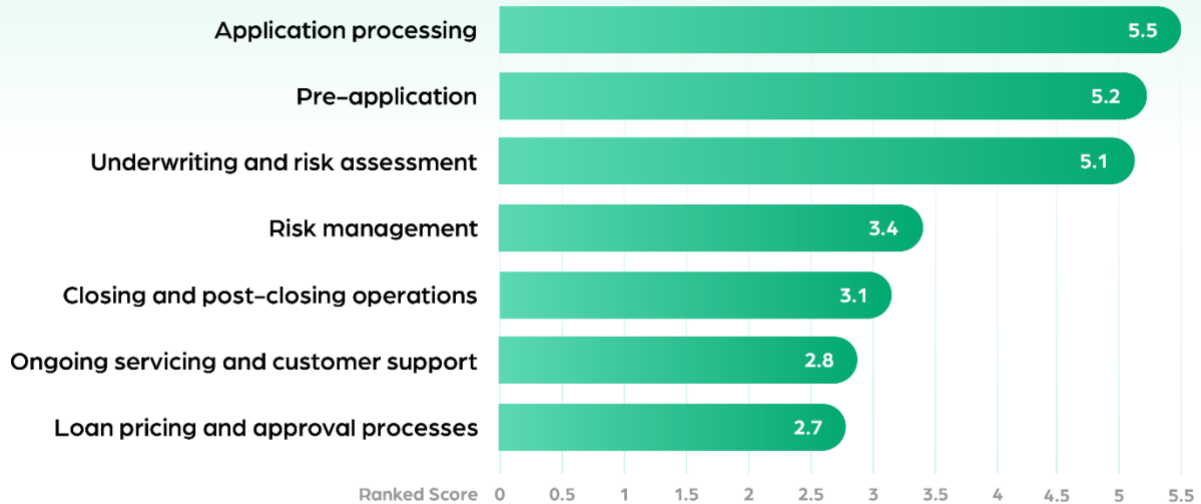
Where Lenders See the Most Value

To move from scattered pilots to strategic deployment, lenders must focus AI investment where it delivers the greatest impact. Our survey asked respondents to define which processes, capabilities, and business outcomes matter most.

Potential for AI Across the Loan Cycle

Respondents ranked AI implementation potential across the loan lifecycle. Application processing emerged as the top priority, followed closely by pre-application, underwriting and risk assessment.

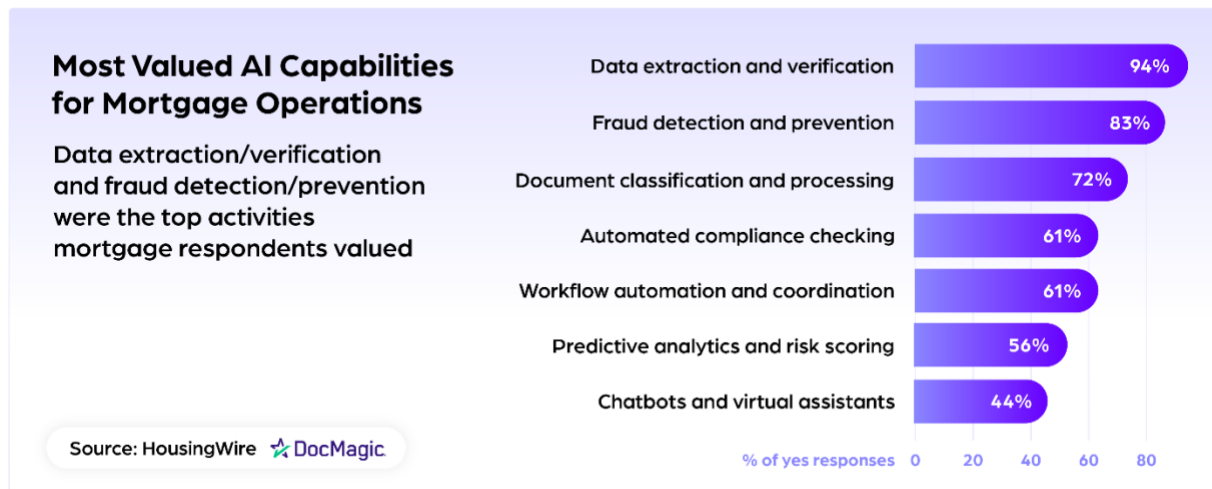
High-potential Areas for AI Across the Loan Lifecycle



Source: HousingWire  DocMagic

Most Valuable AI Capabilities

When asked which AI capabilities would deliver the most value, respondents could select multiple options:



Lenders want AI to handle the document-intensive work that currently requires extensive manual review. This includes extracting data, verifying accuracy, and catching errors before they cascade through the loan pipeline.

What Lenders Say Are Their Biggest Pain Points

Open-text responses from survey participants underscore these themes, revealing where lenders experience the most friction in their current operations:

- *"Doc to data for new docs – almost there..."*
- *"Errors on documents."*
- *"The back and forth of processing the loan after underwriting approval but before closing."*
- *"Underwriting is the most time-consuming."*
- *"Document management quality assurance – parsing and data verifications."*
- *"Stare-and-compare."*

Whether it's document errors, endless back-and-forth after underwriting approval, manual data entry, or inconsistent borrower information, these challenges share a common root cause: workflows that remain manual, paper-based, or fragmented across disconnected systems.

Section 3

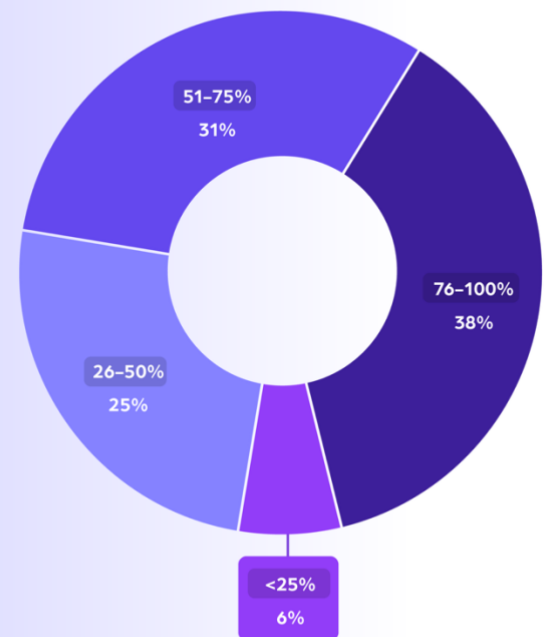
Digitization: The Critical Differentiator

The pain points expressed by lenders aren't just problems AI can solve. They're problems AI can solve **only when underlying workflows are digitized**. AI cannot extract data from paper documents, validate information trapped in manual processes, or eliminate errors in workflows that lack structured data. This points to a fundamental prerequisite that determines which lenders can capture AI's value now versus those who must wait: **digitization**.

The survey revealed where lenders stand on this foundation: 38% have digitized more than three-quarters of their workflow, positioning them to deploy AI at scale. Another 31% have digitized more than half their operations, putting them within reach of AI readiness. However, the remaining 31% of lenders remain below the halfway mark—still handling substantial portions of their loan processing manually or with paper-based systems.

Digitization Levels in Loan Processing Workflow

Only 38% of lenders have achieved 76%+ digitization



Source: HousingWire  DocMagic

Digitization represents both opportunity and competitive risk

Lenders with mature digital infrastructure can implement AI immediately, while those that depend on manual processes may face months or years of foundational work before AI can deliver meaningful value. This digitization challenge affects organizations of all sizes, though the specific barriers may vary. Larger organizations face legacy system complexity while smaller lenders may face resource constraints.

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The Barriers to AI Adoption

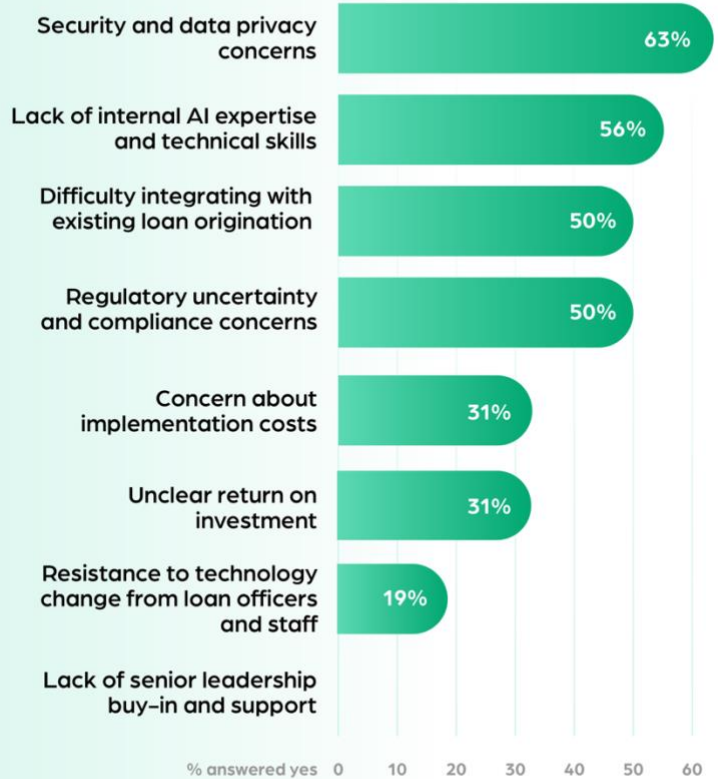
When asked to identify the most significant barriers preventing or slowing AI adoption, lenders outlined four challenges: security concerns, expertise gaps, integration complexity, and regulatory uncertainty.

Security & Data Privacy

Security and data privacy emerged as the top barrier to AI adoption, cited by 63% of respondents. This concern highlights the critical importance of trust and proven security frameworks when implementing AI solutions.

For lenders already working with trusted mortgage technology partners, this barrier may be less daunting. Existing vendors already handle sensitive borrower data with established security protocols and completed compliance reviews, potentially easing the path to AI adoption.

Most Significant Barriers to AI Adoption



Source: HousingWire DocMagic

Expertise and Capability Gaps Drive Partnership Strategy

Building AI capabilities in-house presents significant barriers for most lenders. It requires data science expertise, ongoing model maintenance, deep mortgage compliance knowledge, and seamless integration with existing workflows. This combination can be difficult to assemble and expensive to retain.

These resource constraints explain lenders' implementation preferences: only 6% plan to build AI solutions entirely in-house, while 31% prefer partnering with specialized providers and 25% favor hybrid approaches. Lenders recognize they need both AI expertise and mortgage operations knowledge.



The barrier isn't just technical complexity; it's the ongoing commitment. AI models require continuous monitoring, retraining, and adaptation to regulatory changes. For most lenders, partnering with specialists who already have this infrastructure is a more practical path than building it from scratch.

Integration Complexity: Working Within Existing Technology Ecosystems

AI cannot operate in isolation. It must connect seamlessly with LOS platforms, document management systems, compliance engines, and other core mortgage technology infrastructure.

The integration challenge includes several layers:

- Embedding AI capabilities into existing workflows
- Supporting a consistent user experience for loan officers and processors
- Maintaining processing speed when adding AI analysis to existing workflows

Lenders should prioritize technology partners who combine innovation with practical execution - those who are comfortable working with emerging technologies, maintain established connections with major LOS platforms, provide dedicated implementation support, and have a proven track record of delivering results.

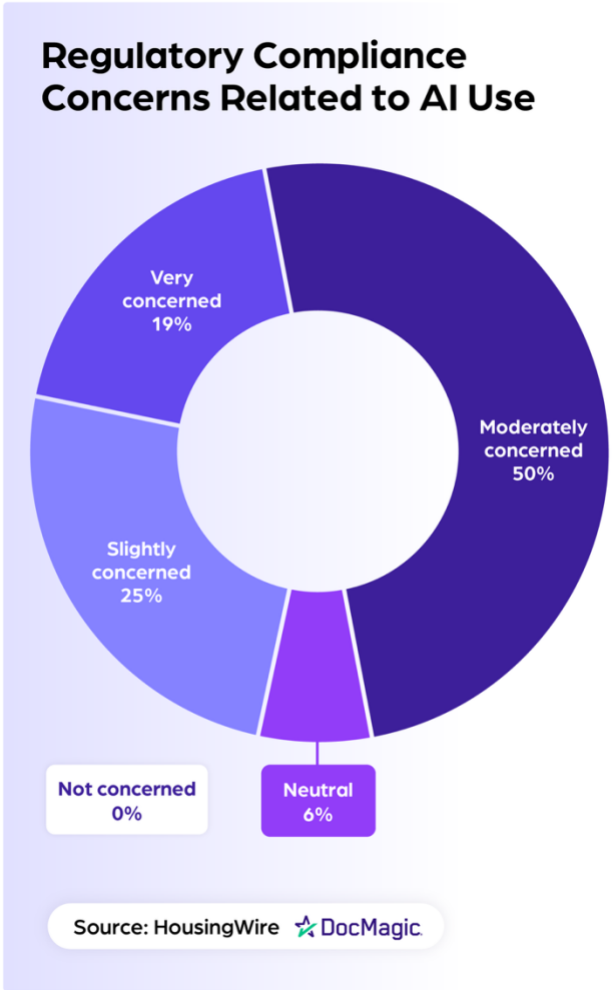
Compliance Concerns Signal Need for Governance Framework

When asked about regulatory compliance risks related to AI use, only 6% of lenders were neutral—everyone else had concerns. 50% described themselves as moderately concerned, 25% slightly concerned, and 19% very concerned.

These concerns stem from real regulatory requirements. AI systems that influence lending decisions must meet fair lending standards, which means:

- Auditable decision-making with clear explanations
- Documented inputs and outputs for regulatory review
- Model transparency that satisfies both regulators and investors

This compliance anxiety isn't unfounded—it's a recognition that governance must be built in, not bolted on. Lenders need AI partners who design compliance capabilities into their solutions from the start, not vendors treating it as a future add-on.



Section 5

Conclusion

The mortgage industry has moved AI from experimentation to implementation. The data shows clear value in automating document-intensive processes, and investment is following.

Success depends on two fundamentals: digitization and the right partnerships. AI requires digital workflows to function and improves with use over time, making existing infrastructure the determining factor in how quickly lenders can capture value. Lenders with highly digitized workflows can implement AI today and begin realizing efficiency gains immediately. Those still digitizing have a defined path forward.

For those seeking external expertise, the right partner brings both mortgage domain knowledge and technical capability. Look for partners who understand your systems, bring proven integration experience, and build compliance in from the start.

Assess your starting position

Lenders with high digitization levels have an early-mover advantage that will compound and create a widening gap in operational efficiency, speed, and accuracy.

Value is concentrated in document-intensive processes

Lenders prioritize document intelligence, compliance automation, and application processing—all focused on automating manual, error-prone work that slows loan manufacturing and creates compliance risk.

Partnerships are essential

Prioritize strategic partners that combine mortgage domain knowledge with technical capability, especially those already integrated into your existing technology stack.

Governance must be embedded

Compliance concerns are high, demanding AI systems with built-in explainability, decision logs, and audit capabilities that satisfy regulators from day one.

Move decisively while the field is still level

The next 12–24 months represent a critical window where competitive position gets established before clear leaders emerge.

Who We Talked To

HousingWire surveyed an exclusive, targeted audience of mortgage leaders in August 2025. These findings reflect the perspectives of decision-makers across the mortgage ecosystem. Our survey respondents include mortgage companies, banks, loan servicers, and credit unions.

Respondents were not junior staff—they were senior leaders and operators directly responsible for mortgage processes with equal parts C-level executives and division or department heads, along with directors and managers.

These organizations varied in size, from community lenders processing fewer than 100 loans a month to large institutions handling over 1,000.

Section 6

About Us

About HousingWire

HousingWire is an information services company that provides unique data and research, respected business journalism and must-attend events for housing leaders to use to advance their understanding and business outcomes. Our vision is a world in which housing leaders have a complete view of the housing market, and a broad community of peers with whom they can connect.

We are committed to delivering the data, analytics, media, and events that advance this vision. Because housing is too important for narrow perspectives and missed connections. Informed housing leaders are better housing leaders. A connected housing industry is a better housing industry. And the full picture always reveals new opportunities.

About DocMagic

DocMagic provides end-to-end document generation, automated compliance, eSignature, and digital mortgage solutions for the mortgage industry. For nearly 40 years, our patented and award-winning innovations have evolved with the industry—from pioneering digital workflows to integrated AI-driven capabilities. We partner closely with lenders, settlement service providers, and investors to implement successful strategies that drive faster closings, reduced costs, and exceptional borrower experiences. For more information, visit www.docmagic.com.