

Challenges & Trends Facing the Retail Mortgage Banking Industry

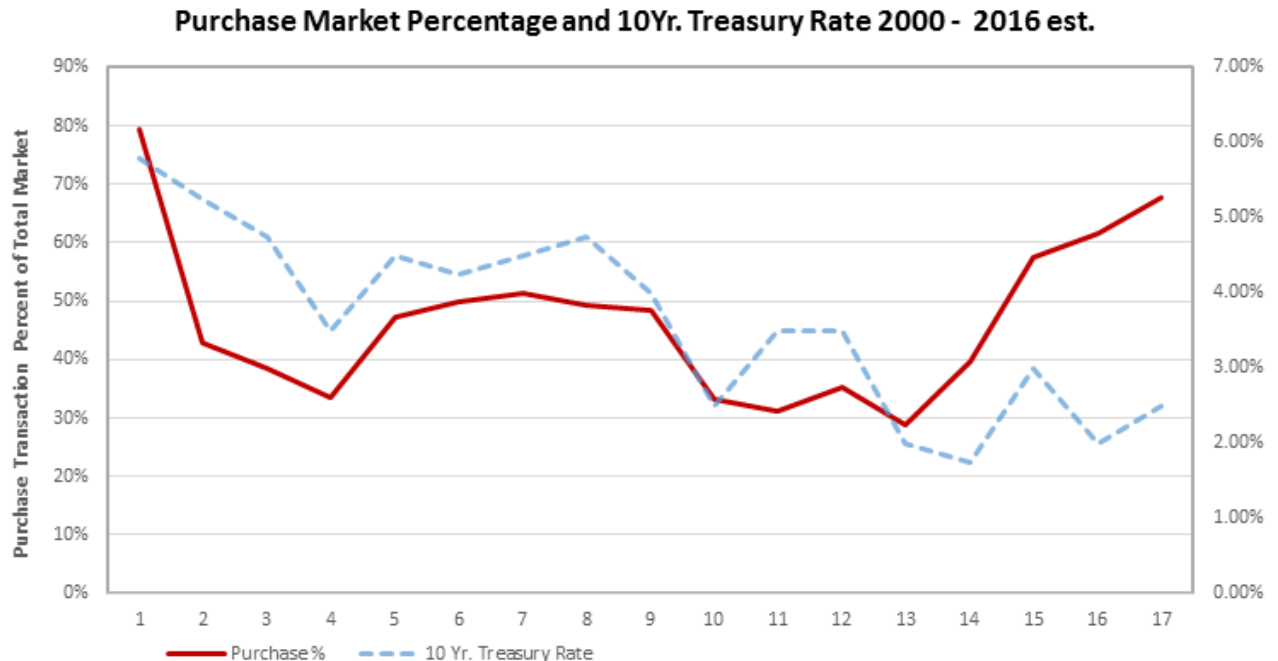
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Introduction

There are several macroeconomic and industry-wide factors facing mortgage banking, all of which have a significant impact on technology strategies and solutions for retail mortgage banking participants. Properly assessing these trends and aligning a technology strategy to address them will be paramount in ensuring competitive success in the years to come.

Macroeconomic Factors

With the future direction and timing of interest rates far from certain, a consensus exists that rates will, at some point, begin to normalize. Along with rising rates, the reduction in fee income for lenders due to legislative mandates has led to a number of secondary and tertiary effects. Chief among these is intensified competition, and thus an increased acquisition cost for qualified borrowers. At the same time, margins are adversely being affected by this fee income legislation. An additional outcome of the macroeconomic environment is an increasing focus on purchase versus refinance transactions.



Source: Mortgage Banking Association and U.S. Federal Reserve.

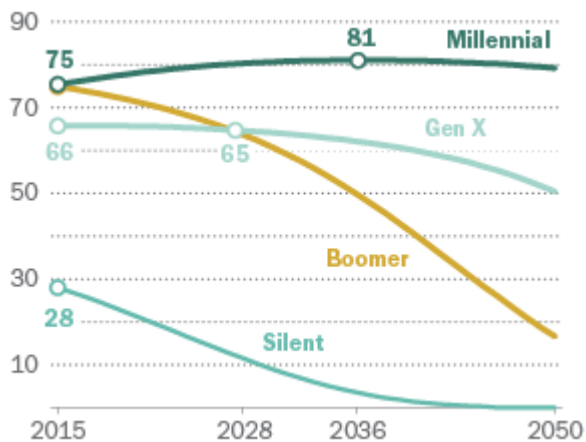
Figure 1. According to the Federal Reserve, as interest rates appear to have bottomed and are expected to begin rising, the percentage of purchase transactions is expected to continue to rise.

Demographic Changes

The generation defined as Millennials—born between 1980 and 2000—represent the largest population group in the United States, accounting for one third of the total US population.

Projected Population by Generation (In Millions)

Note: Millennials refers to the population ages 18 to 34 as of 2015.



Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014 and 2015 population estimates.

Figure 2. Millennials are the largest living generation, now numbering 75.4 million and surpassing the Baby Boomers according to the U.S. Census Bureau population estimates.

This demographic group is expected to make up nearly 40% of all first-time home buyers. Understanding and addressing the needs and preferences of this market segment and the resulting technology considerations will be crucial to future success.

Regulatory & Investor Scrutiny

Banks and financial institutions have always been faced with a complex regulatory environment. This situation has been exacerbated in the wake of the 2008 economic crisis and the ensuing regulatory changes (e.g., Dodd Frank, CFPB, etc.). These factors have driven up the costs of compliance and quality control, negatively affecting lenders' margins. Flexible and scalable technology solutions are required to help lenders cost-effectively ensure quality in the ever-changing landscape of regulatory and investor requirements.

Taken together, these factors have significant implications in terms of business challenges and technology capabilities. Four key business challenges and the resulting technology imperatives are outlined in the table below.

Major Business Challenges	Required Technology Capabilities
<p>1. Reduce the cost of origination and fulfillment without sacrificing loan quality</p>	<ul style="list-style-type: none"> • Increase automation of simple tasks • Leverage workflow, task assignment, and intelligent routing (the right person at the right time) • Offload tasks traditionally performed by the lender to customers and business partners (customer self-service; transition the lender's work to customers and business partners)
<p>2. Improve loan quality without disproportionately adding to cost</p>	<ul style="list-style-type: none"> • Automate traditional "stare and compare" QA/QC functions • Improve quality and completeness of loan file submissions • Improve and automate the post-closing process to better manage and resolve purchase conditions, trailing documents, etc. • Improve overall data quality to support decision-making and risk analytics
<p>3. Modernization of online capabilities to address the needs of Millennials</p>	<ul style="list-style-type: none"> • Leverage web, mobile, and social media, along with traditional channels for all aspects of origination • Provide the ability to seamlessly transition between channels as desired by the customer • Deploy customer segment-specific processes and capabilities online to differentiate your brand in the marketplace
<p>4. Stay in touch with customers, partners, and lead sources to drive purchase-transaction volume and increase customer satisfaction</p>	<ul style="list-style-type: none"> • Increase the use of automated events to notify customers and key business partners of critical milestones • Provide the ability for customers and partners to subscribe to notifications and to receive them on their chosen device (web, desktop, mobile, etc.)

Prolifics' Capabilities

For years, the professionals at Prolifics have been helping leading players in the mortgage banking industry address these challenges, as well as many others. Drawing on years of mortgage banking industry experience and information technology expertise, Prolifics has helped leading players:

- Design and develop custom applications
- Implement package solutions
- Integrate vendor components to their existing legacy technology platforms

Prolifics draws upon years of experience successfully delivering large-scale solutions to the mortgage banking industry. We leveraging our skills in onshore, offshore, and split-shore engagement models, along with our deep expertise in varying development methodologies ranging from scrum/agile to more traditional methods.

Prolifics has also developed several accelerators and frameworks to help clients achieve business results in less time and with less cost and risk. Some of Prolifics' accelerators include:

Portal Application Framework	• Enables agile deployment of business functionality leveraging standard navigation and design paradigms to increase speed and reduce cost of portal development.
Entitlement Engine	• Cloud-based solution used in conjunction with enterprise authentication solutions (e.g., LDAP, SSO, AD, etc.) to provide a comprehensive authorization and authentication framework. Enables centralized control for legacy or new applications regarding what roles can perform what functions within the organization.
Mortgage Data Provisioning Hub	• Single, MISMO-compliant provisioning hub for all mortgage data, facilitating Enterprise Data Governance and data quality initiatives and ensuring consistency and accuracy of operational and regulatory reporting.
Quality Review Platform (QRP)	• Integrated to the clients legacy document engine, LOS, document repository and rules engine, QRP enables automated comparison between system data and document data automating the QA and QC functions.

How Prolifics Can Help

With over 35 years of experience, Prolifics is well equipped to help your forward-thinking organization reach its business goals faster, more efficiently, and with reduced cost. We craft customized solutions that help streamline processes, automate tasks, and improve integration across all mortgage banking business channels. Contact us at solutions@prolifics.com to learn more about how your enterprise can benefit.