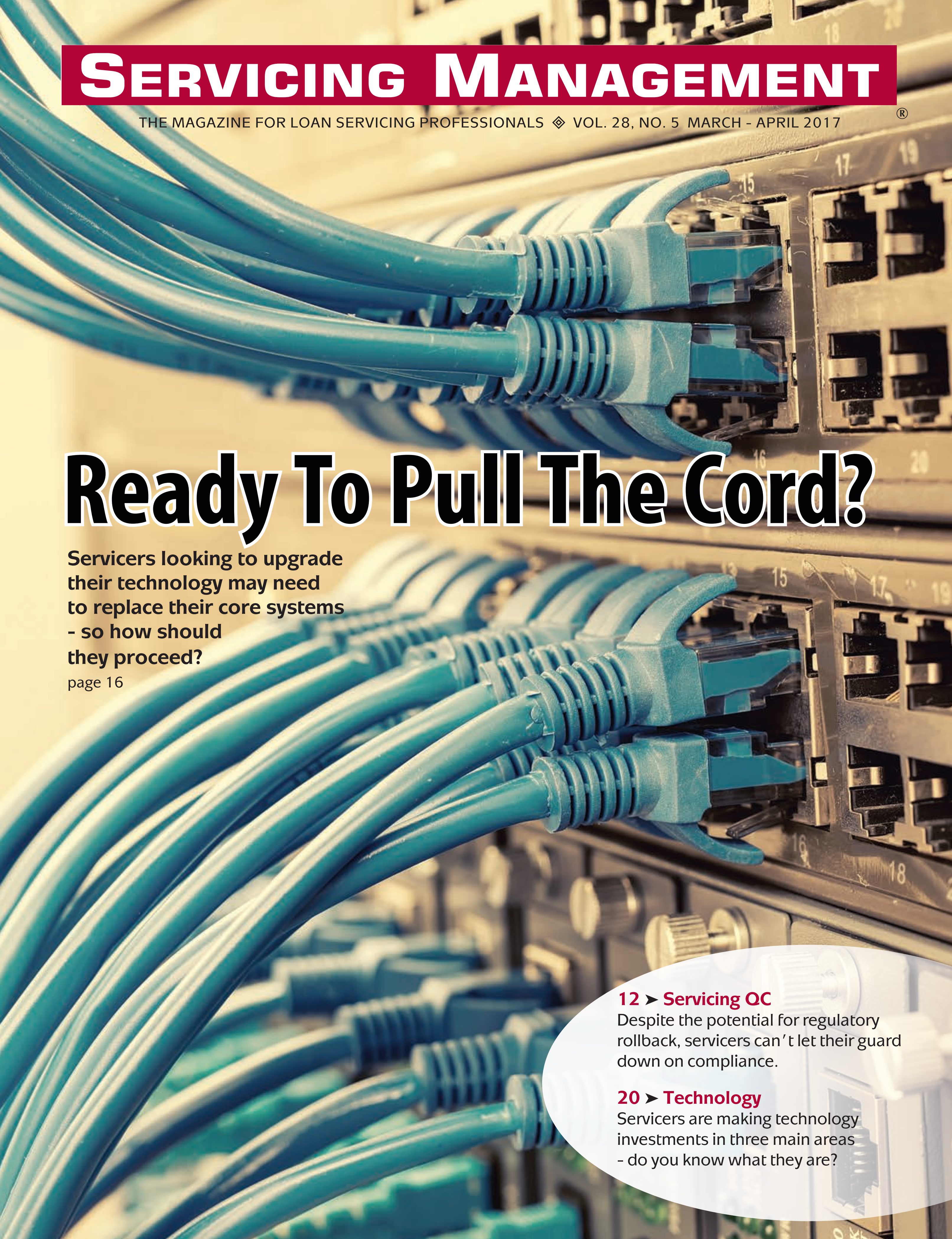

Servicing Management

THE MAGAZINE FOR LOAN SERVICING PROFESSIONALS ◈ VOL. 28, NO. 5 MARCH - APRIL 2017

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Ready To Pull The Cord?

Servicers looking to upgrade their technology may need to replace their core systems - so how should they proceed?

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Servicers Making Strategic Investments For Long-Term Benefits

Servicers are expected to continue to make investments in three important areas: customer experience, user experience and automation/workflow.

by Chad Powers

Although tremendous technology investments have been made in the mortgage industry over the past decade to meet evolving regulatory requirements, today, servicers are increasing their investments in response to both strategic imperatives and evolving market opportunities. Advances in technology can help servicers improve operating efficiency, increase accuracy, strengthen security, reduce costs, and better meet and exceed customer expectations through lightning-fast access to information.

And that's just scratching the surface.

To take advantage of these and other opportunities, many mortgage servicers are investing to advance their technology infrastructure with more flexible, agile solutions. Most expect these investments to make gains in three important areas: customer experience, user experience and automation/workflow.

Customer experience

Providing an excellent customer experience remains an area of tremendous focus for servicers, and clearly, the right investments in this area can generate very positive results. In fact, the following findings from the 2016 J.D. Power Primary Mortgage Servicer Satisfaction Survey identified four primary return on investment benefits for servicers that invest in improving customer experience:

1) A reduction in customer complaints;
2) Cost containment and reduction;
3) Limiting portfolio loss; and
4) The development of new business opportunities.

Servicers approach customer experience improvements from a variety of perspectives, and evolving technology is helping to pave the way. For example, e-delivery technology enables servicers to exchange information and documents with customers more efficiently, securely and conveniently. Another area that is gaining significant traction is digital enablement, which allows consumers to enjoy brand and functional continuity across platforms, regardless of the device being used (e.g., a mobile phone or an Internet-enabled tablet or laptop). Digital enablement also lets consumers conduct business whenever it is most convenient for them by allowing for the self-service capabilities preferred by many consumers. These capabilities not only enhance consumer experience, but also can reduce demand on mortgage servicer resources.

Other tools such as predictive analytics can help servicers identify consumer behaviors that are out of the norm. For example, by running analytics against loan conditions, servicers can be alerted of any irregularities or opportunities and proactively reach out to the customer. In addition, during a transfer of servicing rights from one servicer to another, analytics can be invaluable in helping to ensure that transfers are handled accurately. There are numerous examples - just in the mortgage servicing space - that illustrate how predictive analytics can help mitigate risk, as well as improve consumer experience.

User experience

Servicing professionals face a variety of complex issues and must make decisions that can impact both the consumer and the organization. By making investments in decisioning technology and analytics, servicing organizations can arm their customer service staff with accurate, actionable information that is necessary to make good decisions more efficiently. By implementing the enhanced technology and analytics that are available today, customer service technology users can be confident that they have the right information at the right time to address customer needs. When customer service users have the tools to correctly solve problems more expediently, it's a win-win-win scenario for servicing organizations, their customer service professionals and, of course, their customers.

Automation and workflow

Servicers continue to invest in automation and workflow to ensure that servicing-related processes are handled in a timely and efficient manner so deadlines are met and deviations are avoided, if possible - or identified for analysis, if necessary.

Still, there is significant opportunity for servicers to further optimize automation and workflow to leverage even greater benefits.

One such area of opportunity is the ability to deploy robotics to help bridge existing technology. When servicing professionals have to move from system to system to complete a multi-step process, it can be time-consuming, and the possibility of an error is always present. By programming robotics technology to execute specific processes, servicers can help users do their jobs more efficiently and effectively.

Robotics can also be utilized to help ensure that all steps in a process are completed. For example, robotics can track the required steps in the quality assurance function and determine if something in the process has been missed. If so, the system can alert a servicing professional so he or she can address the missed step promptly and efficiently.

Retirement of legacy and custom technology solutions

In the third quarter of 2016, the Mortgage Bankers Association (MBA) published findings from a survey indicating that the fully loaded average cost to service a performing mortgage loan rose from $59 in 2008 to $181 in 2015 - three times higher than the 2008 benchmark. For a nonperforming mortgage loan, the average cost of servicing grew from $482 in 2008 to a whopping $2,386 in 2015 - five times higher than the 2008 benchmark.

Several major factors were associated with this cost increase, including the comprehensive range of regulatory compliance investments needed to meet Consumer Financial Protection Bureau requirements. However, the reality is that many mortgage servicers continue to support a technology infrastructure that consists of disparate systems and solutions to meet their day-to-day servicing obligations.

A complex infrastructure that may include legacy and custom-built applications, as well as integrations with disparate technology from multiple solution partners and providers, can be both expensive and difficult to maintain. In many cases, servicers are investing to retire some of these solutions in favor of a more standardized, consolidated IT environment.

Moving toward standardization

Today, standardization remains a major topic in the mortgage industry that quickly splinters into a vast array of discussions about technology, data standards, processes, terminology and more. Although there appears to be an understanding throughout the industry that standardization can produce important back-end benefits, such as interoperability, automation, user experiences, lower operating costs and better communication, the challenge may be more about mind-set than people think.

One of the areas that needs more attention is the creation of a standard definition of data elements. Many organizations have their own standards in terms of how they define data, but until there is more industry-wide data standardization, it will be difficult to maximize the potential of automation or improve the user experience. Although work in some areas of the industry has been ongoing, such as the common data dictionary that the MBA's Mortgage Industry Standards Maintenance Organization (MISMO) put together for MISMO transactions, much more work is needed to establish an industry-wide data standard that industry participants would be comfortable adopting.

The mortgage industry has always had a strong competitive ethic, and each organization takes pride in its unique differentiators. The fact is, in an industry where products, processes, procedures, timelines and reporting are regulated so closely, there is clearly value in standardizing data elements to help meet regulatory requirements in an industry-wide way - even while remaining as fiercely competitive, as always, in the marketplace.

Proactive investments vital to industry health

Although the mortgage servicing industry has invested a great deal of resources to address evolving regulatory requirements, the need to increase proactive investments to take greater advantage of technology advances, vast pools of high-quality data and much more is vital to the industry's ongoing health.

As mortgage companies continue their laser focus on customer service and satisfaction, and as the industry prepares to move forward, it will be interesting to see how the months and years ahead unfold. A bold commitment to continuous improvement is required. With this commitment, tremendous opportunities to transform the industry into a highly efficient, productive, compliant and responsive success story await us. By making strategic investments in the technology infrastructure; embracing data standardization to enable workflow and automation across the industry; and staying focused on delivering a positive consumer experience in every single interaction, the future of our industry promises to be productive, rewarding and exciting. SM

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