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Industry Outlook

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How Mortgage Companies Can Make Technology Work For Them

By Sharon Matthews, President and CEO, eLynx


Sharon Matthews

In a market environment characterized by volatility and contraction, mortgage companies are doing everything in their power to remain profitable by cutting costs and increasing efficiency. Indeed, even in the best of times, doing so can significantly improve an organization's competitive edge. In a trying market, it can mean the difference between an organization's ability to merely survive or to succeed and thrive.

The key to achieving such improvements is rooted in technology. Traditionally various sub-segments of the industry have looked to new technological solutions to streamline their individual pieces of the puzzle. While there have been great strides made this way, more often than not mortgage technology solutions are marked by long implementations with varying results.

This is not because the solutions in question are sub-standard – far from it. Leading mortgage technology solutions are well designed integrated software services and platforms. Rather, the problem lies with the way technology-based businesses are approached as requiring point solutions, which tends to limit the level of impact an organization could otherwise realize.

Process, Not Technology

The reality is that the end-to-end mortgage as a whole is a process, not a product or a

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technology – the e-mortgage perhaps even more so. The process is sophisticated, complex and made up of many independent sub-processes, each with its own requirements and opportunities for improvement – but it is an overall singular process all the same.

In order to maximize the benefits of most technology initiatives the enterprise needs to view and improve the process end-to-end. However, as a means to make short term progress, technology projects are most often aimed at improving an individual business unit or sub-system. While this approach can and does bring incremental benefits, lenders that approach the process as an end-to-end initiative achieve by far the best and most resilient results, even if they make that progress in a series of steps.

For example: one area of focus for improvement has been assessing the true total cost of producing and delivering loans. It is problematic, if not impossible, due to process fragmentation within most mortgage companies.

Determining true costs and expenses; calculating profitability per loan and loan product; deciding with which investors you should do business; maintaining regulatory compliance; managing human resources; and most of all, delivering high quality products and services to your customers all impact the process and its costs. In order to find and achieve efficiencies wherever possible, centralized process management becomes essential.

Fragmentation Persists

Consider the situation inside almost any business today. Individual business units are focused on driving their own performance on a day-to-day basis. The interconnected nature of the mortgage process requires these different units to handle multiple product lines and communicate with one another as well as external third-parties. In the middle, there is the central IT department, tasked with supporting the units' business needs, defining reliable and high performing architectures, and maintaining the technical integrity and security of the organization's information.

Individualized pain-points are thus addressed over time, but the overall business process of the company can be overlooked.

To get the most benefit out of technology, and bring business improvements to the entire enterprise, mortgage companies could instead place a strong focus on streamlining and improving processes. At the least, a team of internal subject matter experts should ensure that processes are first optimized, and only then empowered by technology. In this way, centralized process management becomes an enabler, driving improvements for the many individual business units inside the typical mortgage enterprise.

Someone in the enterprise could assume the mindset of – for lack of a better term – a chief processes officer, who will coordinate process improvements and drive technology initiatives on behalf of the CEO.

Having a senior executive serve as such a process officer can help the company better integrate its core business. This person creates teams around key processes, as well as facilitating inter-team involvement to ensure that all the multiple processes are working toward the common goal of improving operations overall.

Today, mortgage companies are taking a step back to see the totality of their business processes. As such, it has become incumbent upon their partners and technology vendors to work collaboratively on pieces that progressively improve the overall process.

It's not about best practices, it's about next practices. Process improvement is an ongoing affair, one which must respond to changing market realities and new opportunities. It’s a continual search for ways to accomplish business tasks in a better, more efficient and less costly fashion.

To thrive in this climate, mortgage companies are starting to think in terms of next practices and cultivating an enterprise-wide process focus. Having someone who is, at the highest level, chartered with making sure that all the various participants – internal business units, IT, vendors and other third parties – are working together in unison to achieve the most out of a technology initiative will ensure the best chance for success.

Sharon Matthews is president and CEO of eLynx, an electronic collaboration vendor that can be found on the Web at http://www.elynx.com.

Other Industry Outlook columns.