Point of View

The Influence of Technology on the Future of the Mortgage Industry

The U.S. is experiencing a sustained, healthy recovery in the housing market, which is being driven by consumers who are now converting their home searches into purchases. This presents an excellent opportunity for lenders to grow their businesses by catering to purchase originations instead of relying so heavily on the refi market. Considering all that has happened in the lending industry in the past five years, how do lenders actually go about accomplishing that?

Since the crash of the housing market, the number of lenders has decreased each year due to the effects of a lagging economy and skittish consumers. The lenders still around are looking for ways to reduce costs and increase profitability even as they are faced with new, strict regulations and the challenge of bolstering already stressed businesses. However, the economic rebound and the government's motivation to reinvigorate lending have triggered an industry-wide desire to lend more. The continued flows of capital into the market from both government agencies and foreign and domestic investors—and low interest rates—are finally leading to sustained growth in the lending business.

Elements such as policy management, rules-enabled workflow technology, paper-free processing and regulatory compliance are key for lenders in order to drive the industry. The ability to expand markets while growing existing market share is ultimately based on how well new and updated technologies support compliance—and on how effectively lenders customize, deploy and implement those technologies.

While LOS offerings will continue to evolve to meet growing demand, the technology itself is only as effective as the lender's ability to use the new capabilities. How the lender decides to use improved origination software is the real differentiator in enabling a lender to grow origination capacity. To leverage the investment beyond the balance sheet, lenders should select technology that allows integrated applications to help drive the lending process, paperless options that can be adopted in phases as business needs change, and training that creates a better user experience.

Lenders must ensure that they are utilizing the right tools to comply with current regulations, and that the LOS is flexible enough to accommodate even more consumer protection requirements. This adds costs and resources and places greater expectations on technology platforms. Regulators are issuing strict lending and reporting standards, but the current levels of available capital pose a potential conflict. Lenders may gradually have to reconsider their current tight credit standards, move the needle back a bit and take a bit more risk if they want to capitalize on the current growth in purchase originations. Though it may seem contradictory, lenders can manage increased risk and adhere to the mandated standards and rules, while still improving technology capabilities.

If correctly implemented, flexible software enables lenders to proactively meet marketplace demands, instead of simply reacting to a variety of operational risk factors. In spite of the unprecedented regulatory environment and volatile economic recovery, updated LOS technology can improve life-of-loan support, meet consumer expectations for new loan offerings and enable lenders to grow their business.

Having new technology isn't enough. For lenders looking to increase originations and sustainably grow their business, new technology must be designed, understood and implemented in a way that reduces transaction costs, consolidates and automates processes, and is compliant with the latest regulations.

getsolutions@fiserv.com
www.fiserv.com