Business And Technology

The executives at Motivity Solutions prove that automation makes sense in creating new efficiencies.

Executive Interview

Too often lenders view technology as something out of their area of expertise. After all they're business people, not technologists. That's the wrong attitude if you want to succeed in this or any other evolving market.

Tyler and Todd Sherman are living proof that when done with an eye on strategy, technology can be a lender's best friend. Why? These two executives started a mortgage lender, built their technology in house, successfully sold that company and are now back at it again sharing their expertise with the general market as technology vendors. Colorado-based Motivity Solutions, founded in 2006, is a customer software solutions provider that offers a variety of mortgage-centric business intelligence automation.

Motivity Solutions flagship product, Movation Business Management Platform, provides a real-time view across an entire organization by turning multiple data sources into actionable information through dashboards, scorecards and intelligent reporting. How do these two business-savvy executives see the mortgage market today? They share all in this executive interview with Tomorrow's Mortgage Executive magazine.

Q: What was the biggest problem lenders faced just two years ago as compared to what they face today? How does it compare?

TYLER SHERMAN: I am not sure there is any significant way to compare the state of the industry two years ago versus today. What was transpiring two years ago had never been seen before and will probably never been seen again—hopefully. But, if I were to compare the two, I would say that two years ago mortgage lenders were simply fighting for their existence. There were significant trust issues and a declining real estate market. What kept the industry afloat and helped lenders survive was FHA lending and the record-low interest rates. Now, lenders are facing an expected decline in originations for 2011, which is going to put the focus on growing market share and lowering the cost of manufacturing a loan. They are also facing unheard of regulatory concerns. What is going to rise to the forefront are age old, free market concepts—innovation, entrepreneurial spirit, having the customers best interest in mind in order to build trust, loyalty, and brand affinity. These core values were always where the independent mortgage bankers had the competitive advantage and I think we will see a return to this in 2011.

TODD SHERMAN: I agree that two years ago the biggest problem lenders faced was fighting for survival. From a technology perspective, the focus was on doing more with less, but the majority of the industry wasn't spending money on technology. When we launched Movation in 2009, just less than two years ago, we felt the timing was perfect because of its' core values—augmenting existing technology without having to replace it, its ability to help optimize an organization's process, and the ability to give a very clear understanding of the state of the business. This was all about doing more with less. Looking at the landscape today, compliance seems to be on the top of everyone's mind. And it is something that should definitely be a priority, but I think the biggest problem lenders face now is going to be staying focused on what is really important. The lenders that will continue to grow in 2011 are the lenders that will be aggressive in attacking compliance, as opposed to being entirely reactive, and those that focus on what made the independent mortgage banker successful in the first place. We have taken the first few steps forward in the renaissance and we are at a point in mortgage banking we haven't been at in some time—a point where anything and everything is possible through solid business principles and the innovative American spirit.

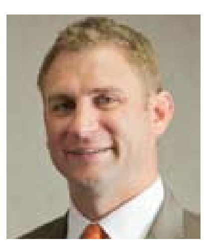
Q: Similarly, how has technology changed in the mortgage space over the past two years?

TODD SHERMAN: In listening to the focus of the mortgage banker two years ago, trying to do more with less, vendors were trying to add functionality to their systems that would help them with this charge. What a lot of vendors were trying to do was build that all-inclusive, end-to-end system, in order to acquire what they could within what the industry was willing to spend during a time of crisis. There wasn't a lot of open communication between vendors in an effort to build best-of-breed solutions. But that isn't new to the mortgage technology landscape. It is why we built most of our technology in-house when we were mortgage bankers and one of the primary reasons we started Motivity Solutions after selling our mortgage bank. We wanted to build an open platform that worked with the lenders previous investment, in capital, training, etc., and encouraged vendors to work as partners in providing solutions that fit the needs of the mortgage banker—as opposed to the mortgage bankers having to conform to the limitations of the technology. And we are seeing that come to fruition through our partnerships with Xerox, AllRegs, Del Mar DataTrac, the Stratmor Group, and other select vendors.

TYLER SHERMAN: And we will be announcing some other very exciting partnerships as well in the very near future. That isn't to say that our segment of the industry is where we would like to see it. There is still very much a lack of trust amongst vendors in the industry, posturing, etc. When we won the award for Movation in 2009 we said that we looked forward to working with everyone in that room, the leading industry technology providers, and we meant it. We continue to drive down the path of creating partnerships that provide real value to mortgage bankers. I would also say that business user configurability, something that we continue to enhance within our system, and mobile technologies are definitely more top of mind for the lender, and therefore, the vendors as well. We think mortgage bankers are beginning to understand the benefit of using business intelligence to drive a healthy, competitive, and goal oriented performance-based environment. Some industry vendors are looking to us and our technology to bring that benefit to their products and others are looking to build it themselves—it all depends on the philosophy of the company.

Q: As someone who has been both a lender and

Insider Profile



As CEO of Motivity Solutions, Tyler Sherman is responsible for establishing the vision and long-term strategy of the company. Tyler has more than 15 years of sales, marketing, and executive leadership experience across multiple industries. Before founding Motivity Solutions, Tyler was a co-founder of Watermark Financial Partners, where he led the sales team. The sales and marketing programs developed by Tyler led Watermark to become one of the largest organizations of its kind.

vendor, how was your view of technology as a lender different and similar as compared to how you view technology today as a technology vendor?

TYLER SHERMAN: We view it in much the same way. Mortgage banking is our family business so we view ourselves as mortgage bankers today even though we don't originate loans. When we were a lender we focused on technology and processes that allowed us to bring value to our customers. Much of what is being instituted today in regulations are policies that we had in place as mortgage bankers back in 2004. We did it because we thought it was the right thing to do for the consumer, which ultimately lead to our sustainable success in becoming a top 10 FHA lender. The technology we developed at Watermark is conceptually identical to what we have in Movation today. So, I would say that our view of technology hasn't changed a bit from when we were a lender.

TODD SHERMAN: I would definitely agree with that. As a lender we understood very well who we wanted to use and for what service. Everybody was pushing an end-to-end solution but there were still gaps. In business, you cannot try and be all things to all people and be successful at it. You have to stick with what you do well. For us, as mortgage bankers, that was FHA loans. As mortgage bankers developing technology for other mortgage bankers, it is an open platform that manages the entirety of the business by filling the gaps, improving existing technology, and creating a performance-based culture. I cannot tell you how many product demonstrations and pitches we went through and there wasn't one product that had the flexibility we required. Some products might have been flexible, but the cost of customization was prohibitive, and other products might have only been missing a few pieces, but they were core pieces we couldn't live without. And none of it really seemed like it was being developed from the mortgage banker's perspective. So, we developed our own.

Q: Talk about the role business intelligence plays in the mortgage market today?

TYLER SHERMAN: The role of business intelligence in the mortgage market today is a means to provide real-time insight into the business and highlight which areas within the business that need improvement. Without real-time insight, lenders can't know on a day-to-day basis who is and who isn't meeting the goals necessary to accomplish the objectives of the business. We work with our customers from an ideology of what gets measured, gets results. Business intelligence is how you measure, manage, track and drive performance. Business intelligence allows lenders and vendors to focus on what needs their attention most.

TODD SHERMAN: In addition to what Tyler said, business intelligence allows you to go as deep as you need to in order to identify the area of improvement. You can analyze the entire company, a department, a process, an entity such as a loan or vendor, or all the way down to the employee level. We use business intelligence with our clients to understand first where they are and are not meeting their goals on a corporate level and then determine the next steps based on what is going to bring the highest level of value to the customer. That may be more business intelligence, it might mean automating a process, it could mean customer relationship management. As business owners, we may think we know what our company needs to do, but it is even better to definitively know—even if it is only confirming our gut instinct. This makes it simple to determine next steps and creates a confidence that we are optimizing our time and financial resources. This would not be possible without business intelligence. Companies that take advantage of this technology are going to have a clear competitive advantage over those that don't in 2011 where growing market share through customer retention, referrals, and service as well as creating a more profitable manufacturing process will be imperative for growth.

Industry Predictions

Tyler Sherman thinks:

1 Industry stakeholders will require even more transparency throughout the loan manufacturing process.

2 Lenders will proactively change business processes to reflect ethical lending practices before they are forced to through regulation.

3 The majority of loan originations will shift back to the innovative and entrepreneurial independent mortgage banker because they have always been the most efficient originator of mortgages.

4 Lenders will incorporate the stakeholder metrics and guidelines by which they will be held accountable into all stages of the loan lifecycle.

5 Lenders will begin to put systems and processes in place to create performance-driven accountability throughout their organizations.

Q: How can BI be used in creative ways to give lenders an edge?

TYLER SHERMAN: We have already talked conceptually about the edge lenders can realize through business intelligence, so let's look at some specifics. Business intelligence helps lenders get more out of their systems, people, and processes. We have a customer who was really trying to understand why underwriting wasn't able to turn the number of loans per month they had all established as the corporate goal. They knew the staff was hardworking, led by a competent manager, and felt as though they had all of the tools necessary to meet the goals. And, they had already taken the approach of reworking the underwriting process a number of times. Nothing they tried was effective. So, we applied business intelligence to the issue to see what it showed. As it turned out, the issue wasn't in the underwriting department at all. We were able to help the lender discover that a certain product was creating a bottleneck because of the number of conditions it took to get the loan underwritten. The lender was then able to apply an additional step at the point of origination that really impacted the amount of effort it took within the underwriting department. And, the lender was able to look back and measure the improvement, even tying it to the increase in loan and product profitability.

TODD SHERMAN: Tyler brings up a good point. It isn't just business intelligence that makes the difference. It is actionable business intelligence that makes the difference. Think about the consultant that comes in and says, "This is what you need to do. Good luck and have a fantastic year." There is a measure of usefulness in that information, but it isn't the solution. Actionable business intelligence gives you the full solution. There is no shortage of creativity and innovation within mortgage banking, and our clients have proven very creative in how they measure and track their successes and failures. Business intelligence is open from the perspective of how you apply it, but specific in delivering what the next step is—you really get the best of both worlds. Another example would be managing to the expectations of their stakeholders. Think of it this way, if you knew what questions were going to be on the test, why wouldn't you determine what you are going to study based on that? Our business intelligence gives the lenders a method of tracking, in real-time, the key performance indicators they know they will ultimately be held accountable to. So, when and if the time comes for an audit, they already know where they stand because they have been tracking it the entire time. Preparation for the audit becomes easier and the audit itself is less intrusive on the organization as a whole. You also build a tremendous amount of trust with the stakeholder running the audit.

Q: Motivity has entered into strategic partnerships with companies like Xerox, AllRegs and others. What goes into making those partnerships successful?

TYLER SHERMAN: In one word, synergy. This is why we named our program the Synergy Network. It takes likeminded companies that understand the true essence of team work—that the whole is greater than the sum of its parts. Some vendors don't want to admit their system has gaps and others don't have the confidence in their product, which creates a level of fear in partnering with a company like us. Our best relationships are built on trust, integrity, and a focus on mutually beneficial results. Businesses are protective by nature, but at some point you have to submit yourself to the effort of the team in order for there to be any chance of success. We work with our partners to accomplish each other's goals regardless of whatever feature overlap there may be. We are very respectful of their customers, their brand, and their philosophies so we quickly arrive at the stage where we are solely focused on how we can create more value together.

TODD SHERMAN: The last important element, and one that we are personally very proud of, is that we have created a technology that is very open to working with other technologies. We have already discussed this, but relative to what it takes to make a partnership successful it cannot be overlooked. Our system was built with these partnerships in mind. There is a lot of technology out there that does a really good job and the more mature industry technology markets are extremely competitive. We don't feel it makes sense from a business perspective to try and reinvent the wheel and then spend the resources to compete in a crowded marketplace. We, and our partners, believe that it makes more sense to work together focusing on bringing value to the industry. We feel there is plenty of opportunity out there for all of us and that together our businesses will end up in a better place.

Industry Predictions

Todd Sherman thinks:

1 Extended mortgage-related software functionality for mobile devices will enter the market.

2 An open marketplace is needed for publishing and digesting services and solutions to create more efficient distribution, regardless of the system of record, based on lender needs as opposed to vendor needs.

3 Systems will be developed that rapidly accommodate changes in the regulatory environment through lender configuration as opposed to vendor re-programming and re-deployment.

4 Unified messaging will become more prominent to track all structured and unstructured communication for any entity (i.e. email, phone, IM, system contact logs, etc. for loans, employees, customers, investors, etc.).

5 Systems will tailor themselves to the skill set of the user and expand based on the growth of the user to limit training within the employee on-boarding process.

Q: Origination volumes are expected to decline by 40% in 2011. What advice do you have for struggling lenders?

TYLER SHERMAN: I think first and foremost is understanding what your identity is and then staying focused on who you are. Be proactive within your business while not acting out of desperation. Stay confident and focus on longer-term objectives and growth as opposed to just doing what it takes to stay in business. Struggling lenders need to focus on both ends of the profit equation—growing market share and lowering manufacturing costs. They should look to affordable technologies like ours to assist them with this effort.

TODD SHERMAN: Being proactive, specifically when it comes to compliance, is going to be important so that these lenders can focus on growing market share and lowering manufacturing costs. Independent mortgage lenders have always been innovative and entrepreneurial—understand where you have a competitive advantage and use it. And then determine where you need a competitive advantage and go get it. Confidence cannot be overlooked, and it is very tough to be confident when you are struggling, but you cannot succeed without it.

Q: To continue discussing market conditions, new regulation isn't going to stop flooding the market. How do lenders stay ahead of these new regs?

TYLER SHERMAN: I think it is important to first look at the differences between the independent mortgage banker and the institutional bank that originates mortgages. For the independent banker, the end justifies the means—meaning that as long as the loan closes according to the guidelines, all is good. For the institutional banks, they focus more on process and procedures and the results are what they are. Both have their benefits, and both have their downfalls. I think the ideal scenario is adopting and automating processes that ensure compliance, understanding that more compliance is going to come, and making sure you don't eliminate the ability to move quickly. Regulation isn't going to touch just one piece of technology or the business; it is going to touch all aspects of the business eventually. Lenders should look to solutions like our business management platform that can give them a single open platform from which they can manage compliance and all other elements of their business.

TODD SHERMAN: I would say lenders need to figure out a way to incorporate the new regulations without being overly intrusive to the organizations. This won't be an easy task, but not an impossible task either. The key to that is being proactive. Whoever handles the implementation of new regulations the best will have a clear competitive advantage over those that continually struggle. Regulation is a check point you have to get through before you can continue on with the task of growing market share and lowering manufacturing costs. We have a solution that helps simplify the implementation of regulations, but that doesn't mean it is right for everyone. Lenders need to find something that works for them and create that competitive advantage.

Q: Another hot topic is data integrity. What should data integrity mean to lenders and how can they ensure the integrity of their data?

TODD SHERMAN: For lenders, data integrity should mean being able to rely on your data as that one version of the truth. That means defining the data that is important to you and focusing on keeping the integrity of that data at the highest level. There are many ways to do this, but if I were them I would automate policies, track changes, limit the ability of anyone that can affect data quality, and create accountability down to the employee level. Bad data affects everyone negatively so it needs to be communicated that everyone is a part of the solution.

TYLER SHERMAN: That accountability down to the employee level is the key component there. If lenders make data quality an aspect of an employee's performance review, I can virtually guarantee that the data integrity will remain high. Those employees that don't care about it will fall off leaving only those that do, thereby creating a culture where everyone has the utmost respect for data quality. And, yes, data integrity is all about you and your stakeholders being able to rely on it. This is a high-risk item where the focus must always remain on the end goal.

Q: Lastly, what's ahead for Motivity Solutions in 2011?

TYLER SHERMAN: Overall our company will focus on helping lenders get more business, and get more out of their business—with systems and employees. We will also help lenders focus more on loan level and employee profitability metrics. We will be announcing several new key partnerships with well-known, industry leading vendors. This is going to allow Motivity Solutions to be a part of some great solutions. Shortly, we will be rolling out a process of implementation that will elevate our focus on providing the highest level of value and ROI in the shortest amount of time.

TODD SHERMAN: On the product side, we are going to enhance our business intelligence by making the software even easier to admin and customize. We will be introducing major enhancement to our mortgage-centric CRM and we will be building on our work management and process automation. We are also enhancing our data quality functionality and improving our mobile platform. As Tyler mentioned, our sole focus for 2011 is helping lenders get more business, which is where our CRM comes in, and get more out of their business through performance driving business intelligence along with work management and automation to drive efficiencies. This will allow lenders to improve both side of the profit equation. ❖

Insider Profile

As President and COO of Motivity Solutions, Todd Sherman is responsible for all aspects of software development as well as the day-to-day operations and strategic implementations for the company. He has spent more than 17 years designing, creating and implementing software across several industries. Before founding Motivity Solutions, Todd was co-owner of Watermark Financial Partners. Todd has built small single-user systems and large enterprise systems for thousands of users.