THE IMPORTANCE OF A SMART SERVICES STRATEGY

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BY BRIAN BENSON

Historically, the prime objective of every U.S. mortgage originations operations manager has been to create and maintain a productive operation. Keep the pipeline full, close business, lower the incremental price per loan, remain compliant. The recent "digital explosion" driven both by compliance and consumer demand for a more tangible, technology-driven experience has significantly altered that conversation. It is not enough to be cheaper, quicker, or even necessarily more efficient. To remain competitive and deliver productivity and growth that is sustainable, the modern mortgage operation must provide an elegant, transparent, ever-reliable experience, especially for borrowers, while remaining secure and compliant. To achieve this, lenders must rely on more outside services and service providers than ever before, and engage with them in a way that is, in a word, “smarter”.

Smart means many things to many people, but for the purposes of services it means you must have a secure, efficient and scalable way to collect, order, receive, examine, present, deliver and archive the data and documentation you need within the system of record, no matter the source, format of the content, type of transaction, or investor requirements. The interface and experience of your services hub needs to work hand in hand in an automated way with the user and your core processing software, and be able to consider and qualify that content in real time within the context of your entire mortgage ecosystem. In short, it pretty much needs to walk on water. Simple, right?

Fortunately, with the right infrastructure, the right delivery partnerships, and perhaps most importantly the right mindset, it becomes much easier. Here are a couple of areas for focus:

1.) You and your Platform Partners must create a development and support infrastructure that embraces and supports new services and outside innovation.

Let’s all admit it: innovation is often really, really hard to manage. We are often saddled with fifteen-year-old architecture that requires a lot of attention and TLC just to keep up with the demands of our current capabilities. Our development teams became engineers to design and build things. But the hard truth is that we have tough day jobs. The road to operational excellence begins with accepting that it is better to do a few things very well and cultivate a culture that is great at partnering with others, such as:

Get your LOS provider and other key partners deeply involved in your roadmap with regular benchmarking efforts. Your provider sees ten new companies for every one that you do and deals with hundreds of your peers who are solving problems like yours.

> Clearly, your partners need **a strong base** understanding of MISMO, UCD, UCDP, Day1 Certainty and **other regulatory** requirements.

You can gain key insights into market innovation and better align development roadmaps and priorities to support one another. More importantly, you can ensure the services you need are integrated with the functionality you require to drive your business. >>Know your investor program requirements and develop strong standards – both business and technical – for others to follow. Clearly, your partners need a strong base understanding of MISMO, UCD, UCDP, Day1 Certainty and other regulatory requirements, but often it is the lender’s discovery process for the way they interact with critical components of its own loan programs and workflow navigation that encumbers projects and causes them to lose momentum. The easier you make it for others to address your unique needs, the higher your probability of success. Maintain strong SOPs, build a “B-Guide” alongside your “I-Guide” and make knowledgeable and informed personnel available during the vendor dating process. >>Change management is especially important in optimizing services strategies. Your development team must be disciplined and engage in strong configuration quality control and employ implementation practices that engage both technical and operational aspects of your business. Work closely with your LOS and third-party service providers and ensure your practices are scalable, well architected, and thoroughly tested, and once implemented, be meticulous in requiring your production teams to adopt new practices. Dual tracking breeds inefficiency. >>Get active with innovators in your local markets. All over the country, cities have recognized the value of supporting and keeping talent close to home and have given birth to some amazing incubators like the one I worked with, EvoNexus out of San Diego. The pace of innovation is relentless and accelerating. However, the financial services industry remains a bit of an enigma and can be difficult to fully understand. Get involved early and help educate the FinTech market on how better to do business with you and your peers. Offer internships, where practical. My company, Mortgage Cadence, is piloting an emerging talent program that will provide mentorship to startups and near to recent graduates so they can hit the ground running.

2.) You must create an effective vehicle to select the services and providers that offer the most lift for your business

>>Know, size and prioritize the business problems your business needs to solve. For all the importance of innovation, one of the worst enemies of productivity is novelty. It seems obvious, but all of us are distracted by shiny new objects. It is no easy task to stay on track and keep to your business imperatives, especially when pressure comes from your Board or even executive management. Systematic, agnostic diagnosis and prescription and organizational governance is essential. Build and use reliable assumptions and use them evenly across the decision-making process. Here again, engaging in disciplined roadmap reviews with your technology partners can pay enormous dividends.

>>Know your approval team and process. Get a very strong cross-

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functional, action-oriented team and give them specific roles, responsibilities, marching orders, and timelines. This is an extension of the concepts espoused above, but it is not necessarily the same team. Having (and following) defined practices isn't just practical, it is often critical for keeping the focus from wandering too far off the task at hand. The time to pull this team together is before, not after, innovators come knocking. >>Exercise control in partner selection, particularly if you have larger regional or national operations. Bigger isn't necessarily better. Having too many partners to manage adds overhead without creating anything unique to your organization. Use your internal vetting experts to look beyond the technology and stringently review how they will support all the other facets of your client relationships, such as trouble resolution, documentation, reporting, and marketing.

3.) You and your Platform Partners must engage in smart, scalable integrations

Finally, the rubber meets the road in delivery. How the services are served up for consumption is as, if not more, important than that they are available for consumption. It is extremely important to ensure your partner understands and is actively expanding its ability to deliver on a next-generation philosophy. Topics for discussion should include:

>>Integrations should be available via API's supported by simple, effective and well-documented Integration Toolkits to help drive innovation and reduce time to market. >>Your service integrations should work within an ecosystem powered by a sophisticated rules engine with multiple layers of automation for ordering and accepting return results. It should also have the ability to accurately infer actionable data and documentation as close as possible to real time within the master workflow and capture that information in the system of record. >>Wherever possible, the service integrations should offer secure bi-directional communications flow for things like underwriting and closing collaboration and compliance. This functionality should also help optimize opportunity across your portfolio and bolster client relationship management. Partner service integrations should offer a "look and feel" user experience as close to the core LOS system as possible. Excessive pop-ups can create a "disjointed" feel and impact productivity. You should choose partners that offer functionality through standardized interfaces that can be baked into the underlying LOS technology infrastructure. >>Integrations should be secure, and should reflect both the macro and micro realities of risk management. That means the base integration should be secure, along with the ability to isolate and protect unique parties to a transaction. Be sure your providers offer transparency into their processes and adhere to defined practices. >>Integrations should be portable and modular and engage in protocols that conform to forward-reaching industry and investor standards (UCD, UCDP, HMDA, TRID, MISMO 3.4, D1C, etc) and be able to isolate and support future innovation as partners and vendors innovate. >>Finally, engage in deeply interwoven practices with your LOS and service partners, and ensure they do the same with you. Does this seem like a repeated point? It is. It's that simple, and that important. Insist upon a transparent, test-driven development mentality and regularly share access to testing and staging environments. And be sure to celebrate achievement and successes together.

The modern mortgage operation needs to be as much NATO as it is Sole Survivor. A strong services and integrations partner plan and a smart services delivery engine may not eliminate every challenge, but it can make the difference between surviving and thriving on the road ahead. ❖

About The Author

Brian Benson is the Executive Manager of Accenture Mortgage Cadence's Service Center 2.0, which he believes will be a very smart choice for lenders looking to modernize their mortgage operations.