SUSTAINED WINDS OF CHANGE TO CONTINUE

Since 2009, the US mortgage industry has experienced back-to-back changes.

BY PAUL WETZEL

We're all conditioned to think about change coming in waves with ample time in between to recover before the next wave hits. This is true in both our personal and our professional lives; we see it within a year and within a lifetime. But what happens when the waves of change become so frequent that it's hard to tell where one ends and the next begins?

Since 2009, the US mortgage industry has experienced back-to-back changes. Not only have we seen typical purchase/refinance cycles, but we've also had countless compliance changes: RESPA, ATR/QM, KBYO, and so on. It's not just the mortgage industry, either. Across seemingly all aspects of modern life, largely thanks to technology, the pace of change is quickening. For example, the VHS was introduced in the US in 1977, followed by the DVD 20 years later in 1997. However, Blu-ray entered the scene just 6 years later in 2003, and now we have the 4K revolution quickly setting in – something YouTube adopted in 2010. Now, with the election of a new kind of presidential administration, there is no reason (on top of all others) to think that the pace of change in the US mortgage industry will ease. There will be considerable uncertainty around regulation and interest rates. Add in innovations like those for borrower experience now further fueled by Fannie Mae's Day 1 Certainty program and industry movement towards eClosing and the overall view can be daunting. Our new normal is nearly constant change. The question becomes: How is this constant change impacting your staff, and what can you do to support their needs in order to best serve your customers?

It's in our nature as humans to react to, and then absorb, a wave of change. We also expect that the dust will settle before the next wave of disruption hits. However, when change continues unabated, it can be stressful. As managers, it can be equally stressful to help your staff adapt to these times. One way to simplify the impacts change has on us is to think of change similar to the well-known stages of grief: denial, fear, acceptance, commitment:

>>**Denial**. With change often comes an unwillingness to accept what lies ahead. Fortunately, there are steps you can take to help your staff overcome this make-or-break stage. First, get buy-in from staff early on. By communicating what the change means to each team member long-term, you are more likely to advance through the four stages without as much resistance or push-back.

>>**Fear**. Denial and fear often go hand-in-hand. Again, communicating regularly about what this change means for each employee and how you seek to make the transition as smooth as possible for everyone can make all the difference. Most important for this stage is establishing an action plan for addressing the changes. This step can significantly help your staff see the big picture and the "light at the end of the tunnel".

>>**Acceptance**. By now, you should have buy-in from your team that the change is happening but is manageable thanks to the plan you've put in place. At this stage, you should encourage that acceptance and continue keeping the lines of communication open. Without ongoing communication, staff could very well revert back to the previous stages, thinking the plan established is not, in fact, being acted upon.

>>**Commitment**. Because the waves of change are sure to be constant going forward, the four steps can become cumbersome and hard to constantly manage. In order to gain true commitment from your staff, ensure you have a nimble "change-enabled" origination process in place. By creating systems and processes that can easily adapt to meet change, you can significantly reduce the impact of future changes on your staff and your customers.

By better understanding how we, as humans, process change, while also taking our own advice by going through the 4 steps to accept that we now live in constant change, we can begin to best position our organizations for long-term success. The next step in riding the winds of change is to establish the processes and systems that will lead your staff towards long-term commitment.

While as an industry, we can't avoid or ignore external change like required security or compliance updates, lenders and vendors alike can build vetting and prioritization processes to make sure that only the best changes/improvements are put in place to truly support where your business needs to go. If you have too much "self-introduced" or discretionary change, then you might add unacceptable levels of risk. On the flip side, if you have too little self-introduced change, then you're sure to be exclusively reactionary and passed by competitors.

So what are common criteria for vetting and prioritizing change in the mortgage industry? Compliance risk, financial risk, impact to borrowers, impact to staff efficiency, level of effort and/or expense all are great starting points. For a given proposed change, many of those categories might be mixed (positive in some areas, negative in others). Some will

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be easier to quantify than others, but this should not mean that subjective measures can't be used. For those that might fear bureaucracy, you can introduce a lightweight and flexible process. The point is that you collect additional facts only when appropriate to the size/impact of the decision. Frequently, you will decide based only on readily available information but still will take the time to capture it in a structured way. Having a transparent and fact-based process helps get the right discussions going between the right people and will make difficult decisions easier.

So a process around vetting and prioritizing change is essential. In addition to that, what aspects of an origination platform will help manage change? True flexibility is required, but what specifically in a technology platform provides flexibility? An open architecture that is extensible means having a developer's toolkit and an API surface. An exposed rules engine is also important so that you can easily configure workflow, drive efficiency like automatically ordering services, kicking off exception processes, etc.

Last but not least, delivering all this in a SaaS product model is critical to stay current on the latest releases. This is no longer optional thanks to regulatory changes and ongoing security enhancements to keep your borrowers' data secure. Custom or quasi-product models allow for the customer to lag on an out-of-date version. When this happens, you're not only missing the latest security and compliance updates, but you're also limiting your ability to effect change because of the friction of moving your enacted change through multiple version upgrades.

As John F. Kennedy once said, "Change is the law of life. And those who look only to the past or present are certain to miss the future." By working with your staff, updating your processes, and advancing your technology, your daily concern will be less about adapting to change and more about anticipating the change. Let your focus turn towards the future, which is sure to look brighter than ever before. ❖

About The Author

Paul Wetzel has led Product Development and Product Management activities through most of his 20-year enterprise software career – over the last 10 serving the Financial Services industry. In his current role, Paul manages both customer and industry requirements to drive product enhancements while also ensuring Mortgage Cadence leads the way in innovative loan origination technology. Paul began his career with Accenture in software development where he rose to the level of Director, Business Development for an Accenture subsidiary. Before joining Mortgage Cadence in 2009, Paul spent several years with FICO in product marketing and corporate strategy roles.

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