

Servicing technology: revolution or evolution?

"You used to focus on applicants...now you need to focus on those applicants who are now your long term customers...but do they get the right focus and service from your systems and technologies?"

MIDAS STUDIES launches an industry wide, independent loan servicing benchmark study for 2010. Directors of Midas Studies, **Martyn Ellison** and **Richard Pike**, look at what has been learnt from the "pre-crunch technological originations revolution", and what loan servicers could be offering their clients and borrowers to increase performance levels with minimum impact on operations themselves.

During the "pre-crunch" boom, there was never-ending publicity surrounding initiatives to originate new mortgages and maximise customer acquisition. BM Solutions launched the 'One Minute Mortgage' whilst the "creators" at Edeus and originators at GMAC kept us on the edge of our seats on who was going to achieve the first POS Completion. It appeared that all lenders wanted to be the next to implement the next 'bright shiny thing', and some, of course, are still waiting for the sector to recover enough to launch their propositions. Through treasury innovation, the focus of most lenders and originators changed from market share to asset trade by originating the loan cheaper, completing it quicker and trading it slicker.

Vast investment and company focus was poured into front end technology and innovation. Technology had become king. Automated e-ID's, anti-money laundering checks, AVM's, credit checking with complex credit scoring models and affordability calculators were all dramatic developments to assist in quick, efficient originations, but did the servicing solution providers consider what front-end innovations could be utilised to enhance their servicing propositions?

Without 'backend' servicing systems to support the rapid onslaught and administrative requirements of borrower acquisition none of the "pre-crunch" growth would have been possible. Servicing and administration systems are traditionally reliable, robust systems designed to do the grunt, unlike their

more agile, flexible headline making origination supplier "team mates". It's a bit like comparing Terry Butcher to Gary Lineker; servicing systems are ultimately the reliable defender that are there for a purpose, but it's the good looking, "golden boy" origination goal scorer that has got the headlines. In recent years it has been the development of origination systems that has had the attention and most of the R&D budget. In the current environment of mergers and group consolidation, is it now time to reverse this focus, review servicing strategy and look at legacy system enhancements?

In times of manic customer acquisition and book growth, operations directors and department managers have had to think on their feet, the word 'manual workaround' became commonplace and temps were often the backbone of servicing centres. Often, new manual procedures were added as the servicing solutions were too inflexible to allow for automated processes without paying through the roof for enhancements. Very few lenders have had the breathing space or budget to look at their legacy systems and create, let alone implement, a vision for servicing. This must now change.. The market has new priorities; cost reduction, consolidation, outsourcing, offshoring, integration and collaboration, customer centricity, TCF and arrears management to name just a few.

In addition, technology companies and service providers will not receive new revenue streams in loan origination for some time. The requirements of today's servicing market is changing the

focus of these companies, with some suppliers bringing out servicing solutions built on the similar technological platforms that gave us the flexible, agile, and, most importantly, automated origination solutions.. This is starting to bring benefits to many servicing operations with service oriented technology and outsourcing leading the way in recent years. Service oriented technology can allow 'bolt on' services to be integrated and distributed and allows the cost efficient recycling of services such as credit scoring, bank validation and valuations across the whole business. Outsourcing has been a major help for organisations that have seen uplift in their need for experts, such as special servicing or simply additional staff, whilst retaining strict control on costs and quality.

In addition, Government intervention and the economic climate have led to many institutions finding themselves in a situation of servicing different lending brands and products on different platforms. In a market of relatively small levels of loan originations, increasing regulation such as TCF and highly focussed arrears and collections activities, it is important that lenders and servicers review their position. This should not only be carried out internally but also in terms of peer groups, new technology advances and third party services that are delivering benefits to the new "servicing focussed" mortgage industry we now work in. .

As we move in to the third year of the "credit crunch" it is an ideal time for lenders to review their short and long term servicing strategies. At the same

time, software providers, outsourcers and third party service providers have had a period of reflection to refocus their offerings to enhance or replace legacy systems. They should be aggressively showcasing their new found capabilities to lenders in order to achieve commercial success for both themselves and their customers.

Midas Studies Launches the 2010 Servicing Benchmarking Study

Midas Studies, in conjunction with Mortgage Finance Gazette is launching the 2010 UK Servicing Benchmarking Study. The study will focus on key servicing functionality and indicators within post completion activity. The result will provide lenders with an independent and standard measure of systems performance and functionality compared to their peers.

The current financial environment is creating a number of pressures on lenders across the industry. Whether it is consolidation of lenders and brands (enforced or strategic) and the cost savings that are essential through this type of strategy, or whether it is the result of inefficient legacy systems, everyone has an interest in reviewing their current position and the position of their competitors.

Midas' unique study will not only highlight the performance of servicers, but also allows third party software and service providers the opportunity to showcase their 'best of breed' offerings to the UK mortgage industry, meaning that participants and purchasers of the report will receive a "directory" of suppliers to fill their needs. The Study applies to all asset owners of any size; from regional Building Societies to major UK Banks; from special servicers to owners of traded books and will allow direct comparison within peer groups.

The 2010 Servicing Benchmarking Study provides a contemporary and dynamic forum that matches newly focussed servicing technology innovations with opportunities that are highlighted by the comparative analysis. The showcasing of new technology and services will allow current servicers and owners of UK mortgage assets to view the best solutions offered by third party software and servicing participants currently delivering benefits to a wider servicing audience.

In addition, each section of the study will be prefaced by a sponsored commentary authored by a leading subject matter expert. The survey and its find-

ings will be categorised under the following section headings:

- General administration processes including letter and statement production
- IT and software
- Arrears and collections
- Risk, compliance and TCF
- Treasury and funding
- Legal and deeds management
- Business intelligence, MI and reporting
- Insurances

Any third party suppliers interested in sponsoring any section should contact Midas Studies directly (info@midasstudies.com)

Initial research carried out by Midas Studies shows that over 90% of lenders have a high degree of interest or are very interested in comparing their administration services against their peers and reviewing what the market is currently offering. In addition, the research also shows that a large number of lenders would be prepared to be named, particularly when they are shown to be operating under or close to 'best practice' conditions. Consequently the study will uniquely offer participants the opportunity for anonymity or to be named, and "famed" if they want to be.

The 2010 Midas Servicing Benchmarking Study – The Benefits

From a lender perspective, the main benefit of participation is that servicers will achieve a sense of justification of their current IT and functionality servicing strategies in the marketplace.

Alternatively, we have also been told by senior operations and IT staff that they hope that inefficiencies and productivity weaknesses highlighted by the Study will provide leverage to their well worn business cases and attempts to influence corporate strategy and budgets.

The study also should provide a strong platform for reviewing strategic options such as onshore or offshore outsourcing, or the extended use and integration to third party services to drive efficiencies. It is with this strongly in mind that the study offers providers of software and services the ability to showcase their offerings. In providing the servicing industry with this one stop showcase brochure, which maps directly to sections within the Midas Benchmarking Study, it allows participants to obtain RFI type information in a cost efficient and quick format. For

example, if collections functionality is highlighted as an issue in the study, the lender will be able to reference directly the response of relevant software companies and outsourcers and see who is successfully delivering benefits to other organisations

Most importantly, the Midas Study provides a cost efficient piece of business intelligence that allows dynamic monitoring of business trends through an independent commentary of their market position based on contemporary market conditions and offerings that are delivering benefits globally today.

Participation in the Midas Servicing Benchmarking Study is open to all mortgage lenders, servicers and asset owners registered with the FSA in the UK. Sponsorship and showcasing of software, services and outsourcing options are available to both UK based and overseas providers.

If you wish to participate either as a Lender, servicer, software provider, outsourcer or service provider please contact Richard Pike or Martyn Ellison at Midas Studies.

About Midas Studies Limited

Midas Studies (www.midasstudies.com) has been formed by Richard Pike, currently Managing Director at Independent Business Consultants, and with previous experience at Huntswood plc, Marlborough Stirling, C&G, HML and RBS, and Martyn Ellison, currently Managing Director at OnTrack Consulting, with previous roles held at Vertex Financial Services and Marlborough Stirling and has been involved with systems implementations at over 20 lenders in both the UK and North America.

Jointly they bring over 50 years financial services experience to the new company. They are both experienced practitioners in the prime and sub-prime markets and act fully independently of lenders, outsourcers and software suppliers to provide the industry with relevant, impartial information and feedback. **MFG**

Benefits Summary

- Justification of existing servicing strategy and services
- Highlights weaknesses and opportunities for developing business cases
- Provides contemporary commentary on market position
- Provides platform for reviewing strategic options
- Provides direct access to supplier showcase
- Delivers accurate and cheap peer group business intelligence