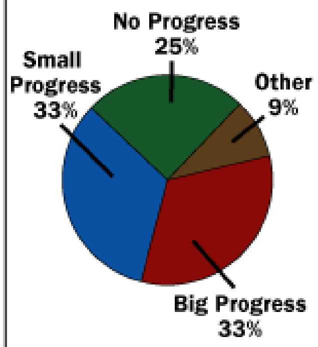
MT MORTGAGE TECHNOLOGY

More Steady Progress

By Anthony Garritano, Editor, Mortgage Technology Newsletter

While the electronic mortgage remains a goal and not a mainstream reality, steady progress was made in 2006 and more is expected in 2007. For example, Wells Fargo began an e-mortgage pilot program with Freddie Mac, which just entered the e-mortgage world in late 2005. Now, both GSEs accept e-mortgages.

Looking ahead, predict technology innovation and adoption in 2007?



Source: "Your Thoughts" Section of the MT Newsletter

Also, top lenders battled it out in MISMO about what should be the format for compiling SMART Docs with the intention of delivering e-mortgage processes in 2007. LaSalle Bank recently moved to adopt e-vault technology. And on the legal side, New York just upheld a MERS e-registry as both legal and binding. We're getting there.

In total, 66% of 12 respondents said the industry will see some progress in technology adoption and implementation in 2007. The building blocks, namely data standardization through MISMO, an e-registering repository in MERS, a ripening secondary market to buy e-mortgages and market conditions causing lenders to look harder at automation in order to compete, all add up to a perfect storm for technology innovation, adoption and eventually mainstream e-mortgage acceptance.

"In 2007, we'll see three things in technology," predicted Jordan Brown, CEO at consulting firm MarketWise Advisors LLC, Ponte Vedra Beach, Fla. "First, we'll see pervasive adoption of outsourcing and offshoring processing in underwriting and closing loans. We saw the genesis of this in the fourth quarter of 2005 and into 2006. In order to be competitive there has to be some fundamental changes. Lenders will have to move toward lower cost models to increase profitability.

"Second, there will be a realization of the global resources available," he explained. "Last, the level of mergers and acquisitions will be at a heightened pace among vendors. I predict that there will be three to four major loan origination firms acquired in 2007. There will also be continued acquisition on the services side around title, flood, credit, etc.

"Of course, there will be increased adoption of e-mortgages," said Mr. Brown. "There will be a continued push in 2007 but I'm not ready to predict that 2007 will be that watershed year, but we'll see steady adoption."

"It's all about efficiency. As loan origination systems become more mobile e-signing disclosures is going to be a key piece of technology," added Brian Fitzpatrick, president of integration vendor Lydian Technology Group, Jacksonville, Fla. "With volume down, a lot of companies are looking at technology to drive efficiency. A lot of companies are looking to decrease cost. They want to do more loans with less people.

"So, what kind of technology gets there? There's been a lot of talk about e-mortgages and we'll continue to see people go down that path, but they're talking about automated workflow technology as a way to get at the data before you automate whole processes," he said. "Nearly 80% of companies are spending money to just maintain systems. So in order to drive human cost out, these companies will strive to get control of their data. The big talk has been e-delivery to investors. On the seller side it drives a lot of shipping cost out of the game and on the buyer side it drives the manual comparisons of data out of the process.

"Greater adoption of automated underwriting technologies will continue. We'll see more best-fit engines implemented," said Mr. Fitzpatrick. "Companies like Overture and NYLX stand out there because they can drive best execution. It's not just about driving out code because those technologies also drive profitability.

"The enabling factor behind these technologies is getting at the data. Companies are more interested in data mining so they can determine how best to keep a customer. Traditionally the mortgage business has been horrible in this area," he concluded. "It costs a lot more to get a new customer then to keep an old one. The key is to do predictive analysis."

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