



## More Vendors to Exit Soon

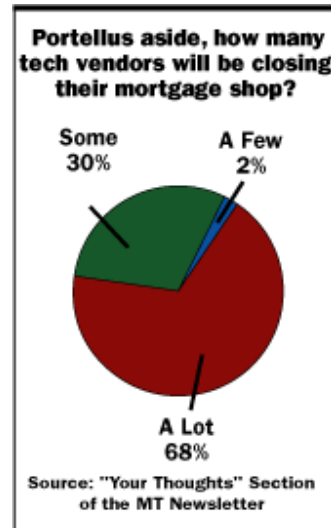
By Anthony Garritano, Editor, Mortgage Technology Newsletter

News of Irvine, Calif.-based Portellus exiting the mortgage space was no surprise. As lenders go out of business so will technology vendors, especially those with a lot of subprime clients. Decisioning vendors that catered to subprime lenders are particularly vulnerable.

In total, 68% of 50 respondents expect a lot more vendors to shut down, 30% some more will close, and only 2% said only a few will close. Those vendors with a large client base or the capital needed to survive will be the ones that last this market shakeup in the long term.

"The mortgage technology space is in the doldrums," said Portellus chairman and CEO John Le. "There aren't folks buying big enterprise systems. When you look at that landscape it made no sense for us to stay in that business. We had 85% of our infrastructure going after 50% of our revenue. Going forward we're going to see larger players with a longer term view come into the mortgage technology space.

"Secondly, we've only been around for six years, selling the LOS for only three years so we don't have luxury of the revenue stream that other companies that have been in the space longer and have more customers. We started as a business rules management company, remember. We've gone back to our grassroots. We started out outside of the mortgage industry and we'll focus there again. We've looked at market, looked at what was profitable, and we'll focus markets that will give us a favorable return. We're not one-trick pony. We've done insurance, auto, consumer finance, etc. So, now we'll scale into those markets."



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Simply put, after assessing the market's technology buying landscape over the next 18 to 24 months, Portellus elected to discontinue its mortgage business and instead focus efforts on more promising BRMS prospects. Company officials stated that it is in the process of conducting a divestiture of its mortgage technology operations and will be holding an auction for its intellectual property and other assets.

"Unfortunately, a lot of tech vendors start out by catering to a few large lenders to get their jumpstart," said Kevin Roczey, president at ProLender Solutions Inc. "One of the downsides of the great market we've had is that everyone thinks they have the golden touch just because they've been successful over the last couple of years. I would challenge lenders to look at those companies that have a solid track record before making a purchase decision."

"We have just started to see the waterfall effects of the mortgage business shrinking," predicted Jordan Brown, CEO at MarketWise Advisors LLC Investment Banking. "Conservatively, MarketWise sees up to 25% of all vendors in the origination space consolidating or exiting within the next 12 to 18 months. The level of M&A activity is very brisk right now."

"New sales revenue is being hit the hardest along with professional services line items on vendor P&L's. Proactively, vendors can trim expense structures or consider a merger."

"We are witness to a basic shift in the mortgage industry that is not short-term," concluded Mr. Brown. "Those vendors that take actions now will emerge the long-term winners when the dust settles."