



An Insider's View on Selecting the Right Vendor

By Jordan Brown, CEO, MarketWise Advisors LLC

The mortgage technology space is a crowded area with good choices and solid vendors but is fraught with fragile vendors that are willing to say and do anything to get a deal. Somewhere in the middle lies the right choice for your organization and it is sometimes hard to unravel the marketing face created by some firms.

Now, after almost two decades of building and marketing mortgage technology, here are some industry secrets that I have learned that hopefully will help lenders navigate to find great technology vendors and avoid the five deadly sins in selecting mortgage technology.

The Top Five Mortgage Technology Pitfalls

1. *Vendor of the Year Syndrome*- One error is selecting a vendor because you assume that someone else did their due diligence. The client list or reference list is a good tool to eliminate a firm but not to select the right vendor. Vendors are going to give the two or three best case examples but what you really need to know is what the typical client experience is. The system of the year syndrome happens invariably when one large lender elects to go with a small or relatively unknown vendor which brings on many other lenders assuming that large firm did their due diligence.
2. *Not Analyzing the Vendor as Much as the Product*- While a lender is purchasing a product, the support team behind the product should be as important a factor as the product itself. The vendor's financial stability and organization's personnel turnover should be carefully evaluated. Audited financials, overall vendor personnel turnover and key personnel turnover are important indicators of company stability. If the financials are questionable or withheld, this is a significant business risk that should be carefully weighed in consideration of other options. Never assume that a vendor is financially stable.
3. *Not Understanding a Vendor's Business Support Structure*- Products are not supported and built by the sales and marketing team that visits your office. The management team of the vendor should be interviewed. In particular, this should include the responsible managers for implementation, support and training. Limiting exposure to senior managers of a prospective firm is not enough to make a solid decision as they are typically the most seasoned salespeople in the organization. If access is denied to the appropriate midlevel managers, move on ... you will be in trouble later.
4. *Unclear Integration, Implementation and Training Plan*- The rubber meets the road when it comes to implementing a complex technology solution. It does not matter how many features and functions are in the product that meet your business needs if it is never implemented. Clear project plans embedded in the software license agreement including training and integration points can help provide a roadmap to navigate the implementation minefield. It should also be noted that lenders and their vendor need to allocate sufficient resources to make the project successful - a vendor will not be successful unless there is a resource partnership and assistance with the lender.
5. *No Consideration of Change Management and Exit Strategy*- Changing technology platforms is not an overnight event. Careful consideration should be paid to the organizational impact and how to best rollout technology to the field. Attention should be paid to adoption rates and the training necessary to motivate employees and business partners to take advantage of the new investment in technology. Although intentions are positive, always have an exit strategy. Never discontinue the use or licensing of existing technology until the new technology has phased into acceptable adoption. A mistake here can cripple a company.

The Character of a Great Technology Vendor

A great vendor relationship is an important asset that a lender can count on for years and often the source of innovation that provides technical and business competitive advantages. The best mortgage technology vendors embrace open partnership with their clients and help drive technology innovation through investment and a proactive client feedback process.

The character of a great technology vendor must also be accompanied by a strong business model that is positioned for future growth and profitability. Here is an outline of key considerations and metrics necessary to help evaluate qualitative side of a vendor;

Open Partnership

- Client Satisfaction Levels (client loss rate, average client tenure)
- Client Input Process into Product Roadmap (% of total clients)
- Internal Personnel Turnover Rate (%)
- Client Feedback Process (enhancement queue, error logs, bug fix turnaround time)

Technology Innovation

- Industry Leadership and Participation
- Internal Technology Investment (% of total vendor revenue)
- Technology Path and Roadmap

Business Model Viability

- Company Viability and Stability (key financial metrics)
- Pricing Model (initial cost, ongoing maintenance, hardware, software, personnel)
- Implementation Success Rate (%)
- Maturity of Application (# of years and release level)
- Ability to Support and Manage Customizations
- Internal Development Process (design, development, testing, deployment)
- External Process Validation (SAS 70 certification, level and timing)
- Capacity to Grow (scalability testing results)

Focus on the Selection Process

Selecting the right technology for an organization can be the difference between competitive advantage or disadvantage. Technology provides the organizational backbone to help drive production and all of the supporting business processes.

A solid selection process involves establishing the high level goals and then drilling into the specific business functional requirements. A clear matrix of business, technical and vendor organizational characteristics can help ensure that the correct vendor is selected. The use of external resources to canvass the technology marketplace and manage the business selection process is often helpful as it brings a neutral third party between the lender and the vendor.

While the requirements stage is an important step in the selection process, it is critical to understand the business model viability, level of technology innovation and partnering methodology that each vendor offers.

If more lenders focus on the character of their business partners and avoid the five deadly technology pitfalls, you can maximize your investment in mortgage technology with the confidence that investment will payback great dividends well into the future.

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