

## Tech Vendor Shakedown

*By Anthony Garritano, Editor, Mortgage Technology Newsletter*

Reports have indicated that over 65,000 mortgage executives have lost their jobs this year. But that doesn't just include lenders, vendors are being hit as well. Most recently Harland just let go over 40 senior management mortgage executives and combined their mortgage and lending group to better prepare them for the tough market ahead.

In total, 83% of 36 respondents see more attrition on the vendor side still to come. In a down market nobody in the mortgage cycle is spared. The big question is: Where are we in the cycle of layoffs and closures?

According to MBA chief economist Doug Duncan we're right in the middle of the cycle with another year or so left in this market correction. "I talk about the mortgage lifecycle in terms of an extended food chain because there is no one technology company that owns everything," he said.

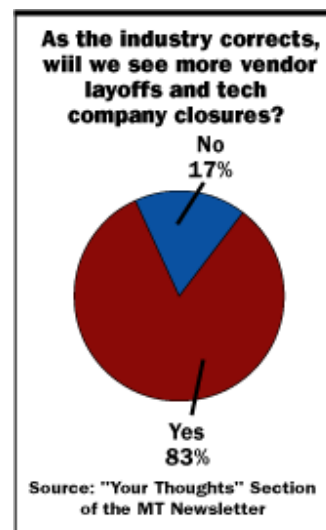
"When volume shrink there is outside pressure put on that chain. If vendors can be numbered in terms of the width of every link in that chain, we see that width shrinking as the pressure I mentioned is applied to all parts of the mortgage process.

"When you come right down to it is there really a need for 40 different loan origination vendors? When looking at any technology vendor, especially in this market, we at the MBA advise our members to look hard at the capitalization of the vendor in question," said Mr. Duncan.

"The losses we are experiencing in the market are far from over," added Dave Demster, president of the mortgage products division at MortgageHub. "Those vendors that have focused on loan origination only or the subprime markets are experiencing serious business fall-off.

"Many of the suppliers to the mortgage industry will continue to take hits to their revenues. Considering that a large number of subprime lenders no longer exist and that loan origination volumes are down substantially, there are suppliers that simply are not going to make it.

Vendor revenues are eroding in many ways - fewer sales opportunities, revenue producing projects being halted by lenders, A/R losses are larger, and overall collection time-frames are extended. Between the slowdown in the overall loan origination business



and the impact of the subprime meltdown, many vendors are experiencing serious cash shortfalls and are facing staff lay-offs and other related cut backs," noted Mr. Demster.

To put this trend into perspective, Jordan Brown, CEO at MarketWise Advisors LLC, points out that there is good news and bad news. "On the plus side, we see continued pressure on legacy vendors with older technology that will result in their merger or closure. A tougher environment is a market call for new innovation and for new entities to emerge that consolidate the best platforms in the industry to provide a competitive advantage.

"A brisk M&A pace is anticipated well into 2008, which will result in restructuring all around. However, the end result will be stronger, more innovative products," concluded Mr. Brown.

[Other columns by Anthony Garritano](#)