

Where Should Lenders Invest?

By Anthony Garritano, Editor, Mortgage Technology Newsletter

Most reports indicate that technology spending is up this year and that it will likely rise over the next few years as volume slows. But where should lenders invest? It's a business decision that will make or break many institutions in the months and years ahead.

In total, 31% of 36 respondents see value in buying point-of-sale technology and 44% stress loan processing automation. The commonality between the two areas is that they're bread-and-butter origination technology focused on automating both borrower interaction and workflow in an effort to shrink the time and cost to originate. While this may seem like a good move in this market, is it the best move for all lenders?



In fact, many stress a holistic approach to technology investment. It's not just about origination, it's about making origination technology and other technologies enhance a given lender's individual value proposition within the market to make them stand out, which may mean automating the point-of-sale to emphasize ease-of-use and speed, or even closing to tout to the borrower that they are eliminating closing headaches and are thus a more attractive place to go for funding.

"Lenders should focus first on the point-of-sale and then once that is in place as a production driver focus on streamlining the back-end operations," stressed Jordan Brown, CEO at consulting firm MarketWise Advisors LLC. "Loan production is the most critical component."

"There are numerous solutions available to outsource back-office operations to achieve efficiency while building both a brand and production. Lenders can differentiate themselves at the point-of-sale."

"Current market conditions have created an unusual mix of competing technology investments for lenders," noted Cary Burch, president and CEO of Poway, Calif.-based doc prep vendor Lender Support Systems Inc. "Choosing one area of technology spending is akin to having to choose among your own children."

"Certainly with the shrinking population of qualified borrowers coupled with tighter guidelines, point-of-sale investments are necessary to keep the customer leads coming. Without a strong lead generation and point-of-sale system the other competing technology investments are not so important if you cannot capture the customer on the front end."

"In second place," continued Mr. Burch, "I would suggest investing in loan processing, followed by quality control and closing. All of the aforementioned areas are important and lenders must make continuous investments in all of these areas at the same time. The surviving lenders that make it through these challenging times will be the ones that make deliberate investments in their technology platforms. With a business focus of generating more qualified leads, followed by efficient processing, lenders will be able to produce quality loans."

While investing in the point-of-sale and processing seems like a no-brainer, the dichotomy of the industry might be changing as we move toward e-mortgages, warned David Lykken, president of consulting company Mortgage Banking Services Direct. "As e-mortgages catch on it will accelerate the trend of brokers transitioning to bankers. Brokers tend to need back-office help in making the jump, but as we automate more of that it'll be easier for them to become bankers and damn good ones considering their sales skills."

"There has been a real lack of technology innovation on the part of lenders. People were too busy to invest and we as an industry need to invest in technology. Five years from now we'll look back at what we're doing today and realize how truly archaic it is," he concluded.