

## BRIEFING NOTE

# INFOSYS AND STATER MORTGAGE BPAAS SOLUTIONS

SUPPORTING DIGITAL MORTGAGE TRANSFORMATION IN  
RESPONSE TO MARKET DISRUPTION

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August 18, 2020

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## WHY IT MATTERS

The mortgage lending industry is in turmoil for the second time in only a decade as the coronavirus has increased loan delinquencies and affected the ability to originate, service, and collect on loans in a socially distanced world. Financial institutions need to execute technology and process transformation quickly to adapt to immediate and near-term changes to the lending operating model.

Infosys Ltd. has made strategic investments in residential mortgage technology services, a mortgage servicing platform, and new, AI-driven collections technology. These capabilities will help mortgage lenders in Europe, North America, and Asia adapt, compete, and grow through this period of rising loan delinquencies, new operational risks, and increased contact center volume in an era of social distancing, and digital disruption. In 2019, Infosys acquired a 75% stake in Stater, ABN AMRO's administrative mortgage services provider, which offers services for over 1.3 million mortgage loans to more than 30 mortgage providers in the Dutch market. ABN AMRO retained 25% stake and remains a strategic shareholder.

Key takeaways from this Briefing Note are:

- Infosys has deep mortgage domain expertise with global delivery capabilities, through a combination of IT services, software platforms, and componentized IT frameworks to help financial institutions augment, restructure, or replace their mortgage lending technology and operations.
- Stater's mortgage business process as a service (BPaaS) capability provides financial institutions the opportunity to achieve deeper digital transformation and cost takeout to maintain profitability during periods of slower growth and to free up resources for other digital projects.

## Context

The global economy, and financial services, are at an inflection point in history. Businesses must keep operating in a socially distanced world. All are affected, some positively, most negatively, and some both. This is the case for residential mortgage lending, where lowered interest rates to keep the economy growing have made home ownership more affordable, but in-person signing of paper documents is both inefficient and potentially risky. For loan servicing and collections operations, job losses have led to helpful loan forbearance programs, but servicing operations and contact centers are unprepared to manage the huge volume spike in customer communications and document processing. Moreover, loan default risk is rising and collections departments need to transform staffing, processes, and technology to prepare for this long-term change in the lending cycle.

It is in this context that Infosys briefed Celent in July 2020 on the firm's digital mortgage transformation strategy, their 2019 strategic partnership with ABN AMRO Group N.V. to manage and expand Stater in Europe, and other capabilities in the mortgage lending domain such as the FinXEdge Collect and Mortgage Servicing Solution suite of digital plug-and-play solutions. We spoke with Sreenath Ramakrishnan, Integration Lead – Mortgage Transformation and Head – Solutions Financial Services, for Infosys BPM. Sreenath is based in Amsterdam and has been with Infosys since 2009.

## Company and Solution Overview

According to the company profile on Celent's [VendorMatch](#),

*“Infosys is an end-to-end transformative services provider, addressing your business challenges through integrated IT and business process management solutions approach. As your trusted transformation partner, Infosys unlocks business value across industries and service lines and*

*enables you to achieve your cost reduction objectives, improve process efficiencies, enhance effectiveness, and deliver superior customer experience.”*

In the banking and mortgage lending segments, Infosys has been a pioneering and leading IT services, business process outsourcing (BPO), and business process management (BPM) provider for two decades. For example, they created the Infosys Finacle core banking system from scratch beginning in the early 2000s. Finacle is now part of EdgeVerve, the product division of Infosys Ltd., a publicly traded company with global headquarters in Bangalore, India. Infosys Ltd. had USD\$12.8 billion in total revenues for the fiscal year ending March 31, 2020.

### The Solutions

The combined firms have continued to execute a two-decade-old strategy of expanding from foundational IT services and BPO solutions to enable further digital banking transformation with integrated BPM, BPaaS, and other capabilities. More recently, Infosys has invested in the following mortgage technologies, with a focus on the European and North American mortgage markets:

- **Stater**, which enables mortgage lenders to digitize their front office customer engagement, back office servicing, and collections operations.
- **FinXEdge Collect**, which helps financial institutions manage rising delinquencies resulting from unemployment caused by the global pandemic.
- **The mortgage servicing solution (MOSS)**, a loan servicing solution suite suited for the current market where financially stronger lenders buy seasoned loan portfolios (both performing and non-performing) from financially weaker lenders.
- **Infosys BPM Americas**, a mortgage entity setup in the US, which offers end-to-end service operations to expand mortgage footprint in the region. Investment in this subsidiary has helped Infosys in procurement of mortgage licenses across US states to support mortgage origination activities.

## KEY BRIEFING TAKEAWAYS

### Overview of Solutions

**Stater.** *Infosys’ Stater enables mortgage lenders to digitize their front office customer engagement, back office servicing, and collections operations.* Stater provides flexibility for funders: originate to distribute and own book as well as various ways of distribution; branches, brokers and direct to consumer. It currently provides a comprehensive mortgage platform for mid office and back office servicing through two separate platforms (Estate for origination and ISHS for servicing). Its mortgage servicing platform services more than 40 clients in Belgium, the Netherlands, and Germany. Its client base is diverse: a top three bank in the Netherlands, a British retail and commercial bank, and a German multinational financial services company.

Infosys is now helping to drive the digital transformation roadmap of Stater, and adding new capabilities including dynamic workflow, API layers, robotic process automation (RPA), and analytics. Stater provides twofold growth opportunities; first, a SaaS operating model, which is focused on providing a superior platform for clients; second, a BPaaS platform, which provides platform and underlying operations. For example, FIs can realize greater operating cost takeout by outsourcing some of the business line employees in loan origination and loan servicing. IT agility is also improved by outsourcing not only the technology but also the IT maintenance and system updates.

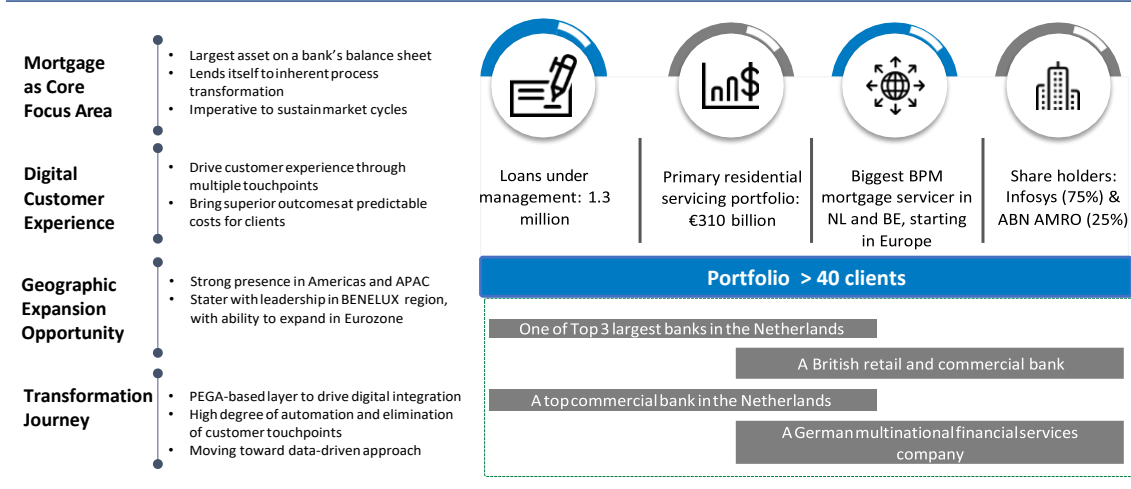
- Infosys delivers mortgage processing solutions (SaaS, BPaaS) in Europe. The firm supports the underlying operations, IT infrastructure, software, and platform.
- Its Stater Mortgage Servicing Platform has 1.3 million loans comprising \$310 billion in assets under management (AUM). It is the largest mortgage servicer in

the Netherlands where it has 45% market share.

- It is localized for each country in which it operates. Localization includes language, currency, unique process / product types, law and regulation.
- It provides workflow automation for data-driven processes, document digitization, and workflow automation across loan origination, servicing, and collections.

Intelligent applications (ML/AI, RPA, and OCR) automate numerous front office customer and back office operational tasks.

Figure 1: Overview of Infosys Mortgage Processing Platform and Customers (Stater)

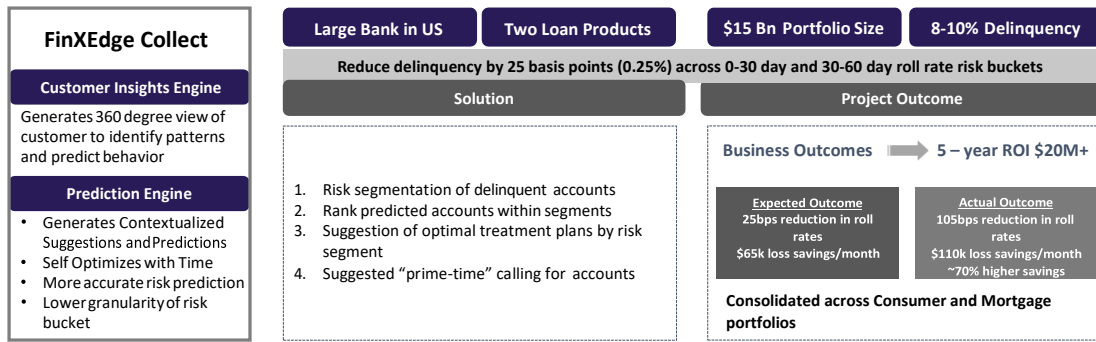


Source: Infosys

**FinXEdge Collect.** This product helps financial institutions manage rising delinquencies resulting from unemployment caused by the global pandemic. This North America proven and globally available mortgage collections technology platform integrates with and complements the existing loan collections system module of the core loan servicing system. A loan collections module typically provides good core collections capabilities but is not usually enabled for a digital, multichannel, mobile, real time world. FinXEdge Collect enhances the collections process with integration and workflow to data-driven analytics and decision-making. It includes a customer insights engine that predicts customer behavior based on patterns; a prediction engine that generates contextualized predictions and suggested courses of action for loan collectors to take; and improves the granularity or number of risk buckets to segment customers into. These features help reduce delinquency rates, improve reinstatement rates, and reduce ultimate loan losses.

- Add-on platform that complements and enhances an existing loan collections module. Lenders can modernize without needing to rip and replace existing infrastructure.
- Risk segments accounts, rank predicts default within segments, and recommends optimal delinquency treatment plans for each customer by risk segment.
- Uses advanced machine learning (ML) to combine customer behavior patterns, available credit, employment, financial, and transactional data to predict risk scores for delinquent accounts and to optimize contact and treatment efforts.
- Helped one client with a \$15 billion loan portfolio reduce delinquency across 30- and 60-day roll rate risk buckets by 105 basis points, which reduced losses by \$110,000 per month.

Figure 2: FinXEdge Collect Platform for Asia-Pacific, European, and North American Mortgage Markets



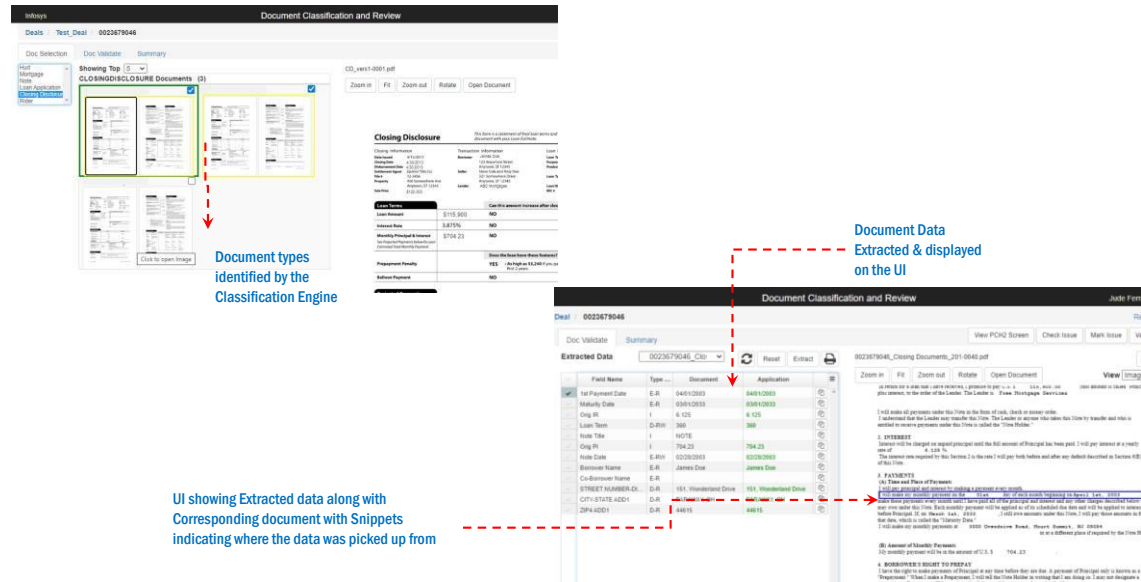
Sources: Celent, Infosys

**MOSS Loan Servicing Solution Suite.** *The mortgage servicing solution (MOSS) is an ideal solution for the current market where financially stronger lenders buy seasoned loan portfolios (both performing and non-performing) from financially weaker lenders.* MOSS was first developed in the North American mortgage market. It is built on a core document extraction and enrichment platform that Infosys implemented for different clients to automate business processes. It's a 100% open source solution, is customizable, and any or all of its five component parts are portable to Europe or Asia-Pacific regions.

MOSS automates all the mission-critical data, analytics, document, and customer processes critical to successfully assessing, pricing, acquiring, onboarding, and servicing mortgage portfolios. These include portfolio management (due diligence and loan onboarding) and core servicing (payment history, letter audit, and customer relationship management). Digital document management capabilities include document imaging, classification, extraction, validation, and analysis; enhanced optical character recognition (OCR); an AI engine to interpret data and dynamic workflow; and business intelligence.

- Digital loan portfolio acquisition tool automates document review (AI/OCR/RPA), due diligence, portfolio valuation, loan onboarding, payment history analysis, and customer communications.
- Fast, accurate processes lower acquisition cost, reduce operational risks, lower compliance risks, and improve the customer experience.
- Helped a US mortgage special servicer realize \$1.5 million in cost savings during an 18-month period, increased portfolio acquisition operations productivity by three-fold, reduced average loan file handling time down from 60 minutes to 20 minutes, and achieved 100% compliance to audit requirements.

Figure 3: Mortgage Servicing Solution (MOSS) User Interface Screenshots



Sources: Celent, Infosys

## Opportunities and Focus Areas

The operating and revenue margins of mortgage lenders are shrinking due to increased competition, rising labor costs, and new compliance requirements. At the same time, customers expect more sophisticated and digital engagement models. The Infosys team is focused on helping mortgage lenders improve by:

- Providing a variety of IT deployment models — SaaS, on premises, or BPaaS — whereby FIs can choose a modernization path.
- Developing digital and customer self-service capabilities along clear and dynamic customer journeys.
- Embedding or enabling advanced analytics in any part of mortgage customer journeys or FI employee work tasks.

Infosys has the skill, resources, and global reach to deliver these capabilities to any country in its target regions. For example, it can localize the Stater International Mortgage Servicing platform for other countries. The mortgage solution is differentiated from many other solutions in that the software can be deployed on- or off-premises, or as a BPaaS. However, entrenched competition and resistance from some lenders to rip out and replace an existing legacy platform — no matter how attractive the potential benefits — means that it will take long-term commitment and investment in the country market for customers to switch and for Infosys to be successful.

Financial institutions should assess their current mortgage lending technology architectures, systems, and processes for gaps and other areas of improvement. Financial institutions considering the Stater solution should examine localization of product definitions, regulatory compliance, process workflow, language, and currency to ensure that it meets all its business requirements.

The mortgage collections technology opportunity is different. Many financial institutions have underinvested in collections solutions in recent years due to generally healthy economies,

relatively low unemployment, and low delinquencies. However, the business cycle has turned negative and is likely to remain there for a few years. Financial institutions will also have to assess the collections functions ability to scale quickly for a rapid rise in defaults. Here too Infosys is well positioned to help FIs modernize their platforms to minimize default rates, losses, and negative earnings.

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