NEXT-GENERATION MORTGAGE SERVICING

Abstract

The mortgage servicing industry is plagued by several challenges — intricate processes, voluminous data from various sources, massive and error-prone spreadsheets, low borrower retention (less than 33%), low operational efficiency, among others. The industry is still grappling with the fluctuations of the New Normal economy, unable to analyse delinquency and default swings. Yet, many have realised the benefits of digitalisation - reduced costs, lower risks, and enhanced customer experience. This PoV outlines the automation and analytics opportunities across the mortgage servicing industry.

Infosys®
Navigate your next

The financial services industry, in general, has been risk-averse, making it sluggish when it comes to embracing digital transformation. But competition within the industry has eventually compelled companies to welcome this technology. However, there is one domain in this landscape that stands out, namely, mortgage servicing.

Mortgage servicing has been slow in accepting the digital route, for many reasons that include outdated legislation, the rules and regulations governing the industry, the intricacy and volume of involved processes, and the need for various data input sources. So, the fear of digitising one process, which could impact all related processes, has been a deterrent factor in walking up the technological path.

But some companies have taken the bold step of automating their processes, which has benefited them immensely, such as helping them leave behind massive spreadsheets and reducing manual intervention. The digital revolution in this space continues, unfolding greater opportunities and a few fresh challenges.

A recent research conducted by International Data Corporation (IDC), a global market intelligence firm, finds that organisations around the world are accelerating their investments in enterprise technology platforms. There is a need for mortgage servicers to enhance customer-experience, address the increasing demands of legal regulations, and stay competitive.

The mortgage servicing digital tide

Keep cloud on top of the list: Adoption of cloud computing and software-as-a-service (SaaS) is gaining traction. Studies indicate that a huge percentage of organizations had a cloud strategy already or were forming one.

Cloud services can be leveraged to outsource managing and hosting of infrastructure such as:

- Data back-up
- Up-to-date security measures
- Maintenance of national and international regulations
- Scalable solutions to accommodate data fluctuations

- Disaster-recovery programs

Cloud computing is the future for a multitude of industries, and mortgage servicing is no exception.

Stay compliant with regulatory technologies (RegTech): Mortgage services need to constantly navigate a knotty, ever-expanding regulatory terrain. According to a Global Regulatory Outlook 2018 by Duff and Phelps, most financial institutions are committing 15% of their employees and 10% of their annual revenue to staying compliant with the complex regulatory web.

RegTech employs innovative technological solutions to address the industry's many compliance challenges. The benefits of doing so include:

- Bringing down costs and time spent on compliance matters
- Automating compliance processes
- Being the root of internal governance
- Providing transparency and risk management through reporting
- Decreasing manual intervention
- Enabling better data analysis to mitigate risks

Entrust your data to Blockchain: The larger the data, the greater the need for transparency and authenticity. Blockchain technology has materialised as a workable solution to cater to these aspects.

A recent PwC report stated, "Specifically, the technology could remove cost and friction from the process, create transaction records that are infallible and incorruptible, and facilitate near-instantaneous settlement."

Blockchain is, hence, not just about cryptocurrencies. It is well-positioned to play a significant role in both lending and servicing processes going forward, ensuring error-free, trustworthy data.

Engage your customers with content services: Engaging a customer boils down to providing them with a great experience.

So, what do customers want the most? Two things, concludes a survey commissioned by Equifax, namely utility and choice.

Utility is all about ease of completing a task, such as refinancing a mortgage or applying for a new loan. Customers do not mind switching loyalty for better experience. Also, many consumers feel secure if their financial obligations are spread among servicers.

This presents both challenges and opportunities to the mortgage industry.

For greaterconsumer experience, content platforms offer integrated sets of content-related services, repositories, and tools to support common content use cases. Key content services include:

- Document management

- Intuitive search

- Intelligent capture

- Automated classification

- Version control

- Business process automation

- Case management

- Records management

- Content analytics

These content services help offer consumers the right experience to keep them engaged and away from competitors.

Carve your path with RPA, IA and ML: Dynamic digital technologies such as RPA (robotic process automation), IA (intelligent automation) and ML (machine learning) can be a boon to manage repetitive, menial, and intensive tasks.

RPA can significantly reduce time, resources and errors associated with manual processing of large volumes of data that require people to shift focus

between screens, systems, and third-party information sources.

IA combines the powers of automation and artificial intelligence. At its most basic level, IA automates tasks, and at its most complex level, it deduces and analyses. So, there is a wide scope for automation with IA, ranging from "doing" to "thinking". Essentially, such a digital technology makes business processes highly "sentient",

capable of sensing and feeling every customer requirement and making every interaction value-adding.*

Customer interaction with lenders is also taking a whole new avatar. Across various industries, bots are answering customer queries, thereby freeing up an employee's valuable time. However, the use of bots is not limited to this. Here is a list of other types of bots and their uses:

- **Chatbots:** Can answer customer questions and make recommendations

- **Analyst bots:** Can detect fraud and help manage risks faster and more accurately

- **Compliance bots:** Make real-time tracking of rules and regulations possible

The efforts of these bots are paying up. According to a Juniper Research report, by 2023, chatbot technology will save $11 billion in annual cost for financial organisations. There are several banks and digital transformation enablers bringing the mortgage servicing industry to the brighter future. The benefits of digital transformation are hard to overlook. Numbering many, including improved data integrity and better workflow management and customer engagement, these could be the clinchers that could sway mortgage servicers towards digitalisation.

*For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping organizations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organizations that are innovating collaboratively for the future.

Infosys®

Navigate your next

For more information, contact infosysbpm@infosys.com

Infosysbpm.com

Stay Connected