THE FUTURE OF

THE 2014 PROGRESS IN LENDING INNOVATIONS AWARD WINNERS DISCUSS THE STATE OF INDUSTRY INNOVATION.
Executive Roundtable

Over 100 mortgage executives came together to attend PROGRESS in Lending Association’s Fourth Annual Innovations Awards Event. We named the top six innovations of the past twelve months. After that event, we wondered what would happen if we brought together executives from each winning company to talk about mortgage technology innovation. Where do they see the state of innovation? And what innovation is it going to take to get our industry really going again? To get these and other questions answered, we got the winning group together. In the end, here’s what they said:
Q: Some say innovation has to be sweeping change. Others say innovation can be incremental change. How would you define innovation?

ADAM CAMPBELL: I think innovation can be either incremental or sweeping change, but I think it must result in a benefit that’s shared across an entire industry. Proprietary technology that doesn’t integrate with other software or that isn’t shared across the industry with open APIs and modern methodologies isn’t truly innovative in my opinion. Innovation has to contribute to our industry’s overall foundation of progress.

JAY COOMES: I would define innovation in the context of the value or significance of the impact its makes to those beneficiaries of the innovation, rather than the magnitude of the change.

KATHLEEN MANTYCH: While sweeping change may be the ultimate result of innovation, it is incremental change that helps maintain or improve a competitive position over time. The need for continual improvement on products with new features, adding new products and services as necessary and process improvement on service levels is critical, particularly in this chaotic climate. Creating and deploying incremental, breakthrough strategies via a well-executed plan for new customer growth and customer retention will create winning strategies, capture new growth opportunities and build lasting capability.

PAUL IMURA: My definition of innovation is not accepting the current status quo, finding a way to improve your process and opting to advance by taking risks. Innovation can be leveraged for success and is a critical component for the industry to thrive, survive and ultimately succeed. Innovation will be key to transforming the mortgage industry.

BRENT CHANDLER: If efficiency is improved, if a need is being met that was not met before, if a challenge has been overcome that seemed insurmountable at first—these are all signs of innovation. What you would call sweeping change is simply the resolution of an issue large enough to effect a lot of people. For example, a new challenge in the mortgage industry is meeting QM guidelines. Higher QC is being demanded, and more time has to be spent on each loan file. Lenders that don’t adopt a better way to process loans risk significant lost opportunities. Sometimes change is forced upon us, but everyone has a choice in how they respond. Do you innovate to succeed, or stick to what is familiar and hope it all works out?

SANDY NIETLING: Innovation starts with a step back from the traditional development or operational path. The traditional path is usually one of refinement: taking existing assumptions about a problem and user needs and building onto product concepts that are already in place. This type of refinement can make it possible for lenders to hold onto their spot, but it doesn’t move them forward, and it doesn’t position them to adapt easily to sudden or significant change. Innovation depends on a reassessment of the problems faced by mortgage lenders. Innovation creates a new perspective, and with it, new value and new opportunities for growth.

Q: How would you define the state of innovation in the mortgage industry? Is it thriving or in a state of decay?

ADAM CAMPBELL: I see examples of both thriving innovation, and decaying old methods still being used. There are many companies who seek to build upon the overall industry’s technology and those are the companies that will win out in the end. Old school technology companies that try to horde ideas or don’t play well with others will eventually be squeezed out.

JAY COOMES: I think it had been somewhat stagnant, but with the rebounding of the market and the continued regulatory pressure, this incentivizes innovation as an outcome of meeting the needs and demands of the current environment. As such, we are beginning to see a resurgence of innovation in the industry.

PAUL IMURA: Our industry is in a state of resetting against the new rules of
the mortgage market, which includes cost constraints and regulatory requirements against a smaller origination market. Mortgage technology innovation is thriving because of the market opportunity for improvement and growth. In today’s market, there is an abundance of opportunities for process improvement that will drive a better consumer experience. For now, a significant focus on the compliance product development is a result of the newly mandated CFPB regulations.

**KATHLEEN MANTYCH:** In light of all the regulatory changes, there have been some outstanding and pioneering breakthrough technological advances to weather the storm and indeed, pave the way for continued automation and deliver true mortgage transformation yet to come. That said, the key word is transformation and an evolving need that drives the process of technology innovation advancement.

**SANDY NIETLING:** The term “innovation” is getting more airplay these days from technology providers, which is a direct reflection of momentum building in the industry itself to consider new thinking to address the mounting challenges lenders face. While it sometimes takes time for game-changing solutions to be readily recognized as such, real innovation is well underway.

**BRENT CHANDLER:** I definitely don’t think innovation in our industry is in a state of decay. The economic crisis was a wake-up call, and I doubt anyone out there thinks the way loans were handled before the crisis was ideal. This has led to an exhaustive review of the entire financial system, which has opened the door for innovation.

The mortgage industry is in a state of rebuilding, and there are a lot of smart entrepreneurs working on solutions to big problems. But change takes time. The larger and more regulated an industry is—and the more complex the regulatory frameworks are—the harder it is for innovations to receive acceptance. Innovation is happening, albeit slowly. Adopting new innovations requires thoughtful integration into existing workflows that must meet stringent guidelines, and sometimes that takes a mandate or government approval.

I remain encouraged. I believe we are breaking into a new era for the mortgage industry. We are beginning to see the adoption of new innovations take place, which will form the foundation of a safer, more efficient industry for many years to come.

**Q:** Lastly, if there was one innovation that you would say the mortgage industry desperately needs to happen over the next twelve months, what would it be?

**PAUL IMURA:** One of the biggest gaps in our industry is the availability of a single data repository for origination and servicing. This innovation would increase overall efficiency by mending investor confidence, delivering life of loan transparency, reporting industry loan data trends and optimizing efficiencies. Developing a single repository will create a sense of transparency and support the industry as a whole, as well as control costs, increase productivity and increase accuracy.

**JAY COOMES:** Re-evaluating the life-of-loan methods of communication that we have with the borrower is critical. We are behind the times with respect to managing that conversation using mechanisms that are borrower centric and not lender centric.

**ADAM CAMPBELL:** There are so many excellent solutions out there, offered by a wide variety of companies. But to really make a difference in an operation, those technologies have to work together. I think the most critical innovations over the next 12 months must include a focus on open standards development so lenders can layer the options that are best for them on top of the systems they’re already using. After all, it doesn’t matter how great
a new tool is if it can’t be integrated with the workflow systems in your office. That’s where the real impacts of innovation can be put to a real world test.

KATHLEEN MANTYCH: Now is the time for the industry at large to reassess their systems and products to find new ways to improve the loan life cycle from an automation standpoint and the overall customer experience by creating products for the new mortgage market environment. Very few integrate technological change in their strategic or tactical planning. That said, from a tactical standpoint, the industry needs to focus on how it can streamline all pertinent and relevant loan data to a data centric environment where true data lives throughout the loan life cycle from point of sale to post close and remain intact all the way through. This will effectively deliver not just the necessary elements for accurate, efficient and simplified automation, but will enhance the customer/consumer experience by eliminating any associated risk of inaccuracy during and after the loan cycle.

SANDY NIETLING: The next big innovations will come in response to the regulatory forces that are being applied to lenders. In order to address ongoing regulatory challenges from a position of strength, lenders can no longer rely on technology that focuses on a narrow understanding of their needs. Lenders will demand solutions-based technology and partner relationships that manage transaction risk. Innovations that address those needs will propel the mortgage industry forward.

BRENT CHANDLER: We need sweeping adoption of tools that provide access to direct source data. Technology opens gateways to new sources of information in ways that enhance the consumer experience, improve the quality of data, streamline workflows, and of course save time and money. Technology and automation contain the keys to transform our industry, for individuals and businesses alike.

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