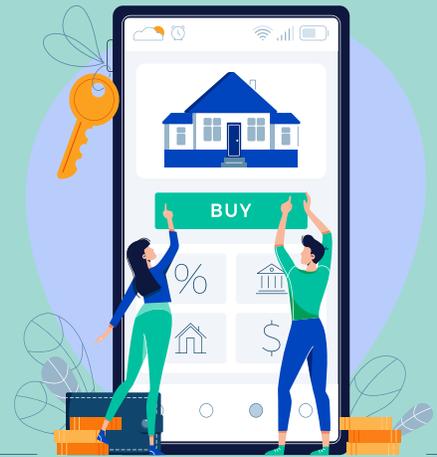


WHITEPAPER

Positioning Mortgage Lenders for Growth, Now and in the Future

Efficiency and productivity should drive technology decisions during this period of difficult markets and industry change.



High inflation, elevated interest rates and the threat of recession are forcing many mortgage-related businesses to focus on increasing the efficiency of their operations and improving the customer experience they provide. Technology can play a key role in these efforts. But lenders who design and implement the right technology strategy can reap benefits beyond their immediate needs by setting themselves up to accelerate their growth when the markets turn back in their favor.

In October 2022, Arizent and National Mortgage News reached out to mortgage industry professionals in the banking and fintech space to get their insights about the issues facing their businesses in 2023. The survey results demonstrate that mortgage industry respondents see technology as a vital component of their strategy to remain competitive in an industry increasingly concerned about down markets and disruptive threats—and they are especially focused on driving efficiency through automation over the near term.

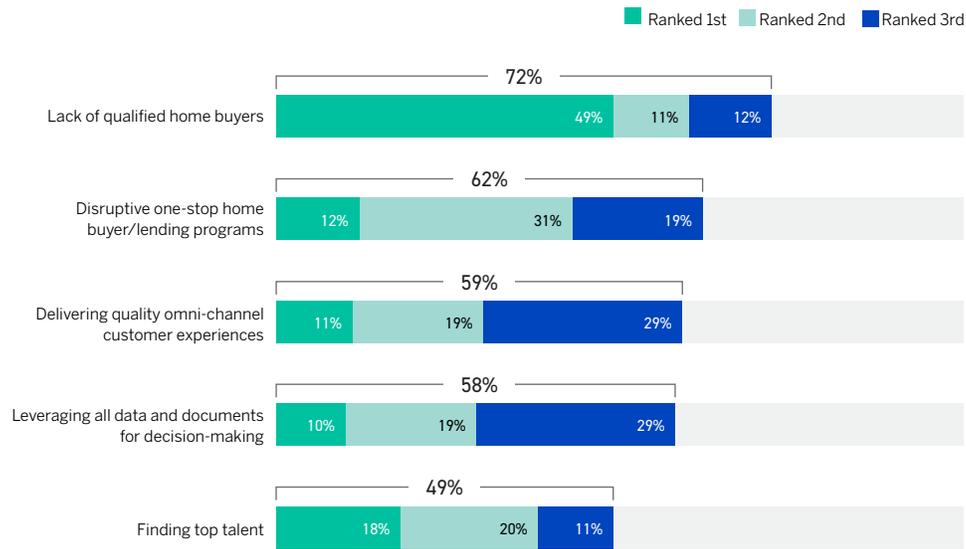
The mortgage industry knows 2023 will be challenging

Mortgage professionals see a challenging year ahead for the industry, with economic contraction and high inflation making it difficult for many potential homebuyers to qualify for mortgages. Three in four expect the economy to contract in 2023, and more than nine in 10 (93%) expect a U.S. recession by the end of the year. More than three in four respondents (77%) also expect high inflation to continue to impact their business.

A rocky economy, high expenses and the potential for continued rising rates all are likely to squeeze potential homebuyers. Indeed, a lack of qualified buyers is by far mortgage companies' biggest concern. Nearly half (49%) rank it as the top challenge they expect to face in 2023 (see Figure 1).

Lenders are also facing challenges in their operations. In the back office, lenders are finding it difficult to leverage all the data and documents at their disposal to tighten their decision-making processes. Faced with falling revenues and limited back-office resources, lenders are also finding it difficult to attract and retain top talent in their operations. With fewer loans to underwrite, layoffs are becoming inevitable, particularly among lenders who added staff to handle increased loan volume during the recent housing boom. And, like other industries, mortgage companies are still confronting the challenges of balancing remote and hybrid work environments, as well as the effects of “quiet quitting” and the Great Resignation.

Figure 1: Lack of Qualified Buyers is Lenders' Biggest Challenge in 2023



Source: Arizent/National Mortgage News, 2022

Mortgage lenders also face difficulties on the front-end of their operations where consumers are demanding, and even expecting, to obtain the same high-quality, omnichannel customer experiences that they've grown accustomed to enjoying from other industries, particularly retail. Lenders recognize that maintaining an exceptional customer experience will only become more important as tech-focused one-stop homebuying and mortgage lending programs continue to pressure the market. More than eight in 10 mortgage professionals (81%) cite these programs as a significant threat or concern.

Lenders are investing in technology to address their evolving challenges

Mortgage professionals understand that, in this environment, standing still is not an option. They recognize the need to continue investing in technology to address evolving and significant challenges. Nearly six in 10 (59%) expect to increase their technology spending for 2023. Another 28% intend to maintain their current spending on technology.

For many, the investment will be significant. One in five mortgage firms plans to spend more than \$1 million next year on their online presence, helping them connect with prospective mortgage applicants and better serve existing customers.

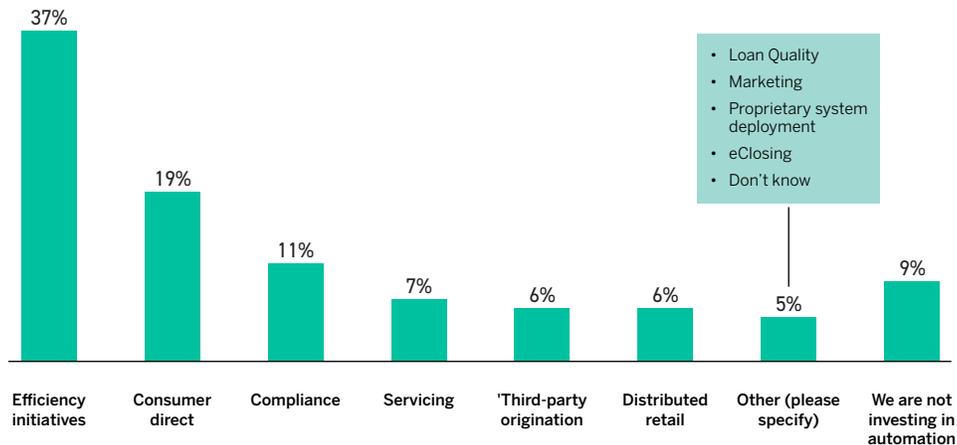
These investments make sense because the right technology strategy can help mortgage providers address multiple key challenges. Three in ten lenders (30%) say their top priority is digital transformation solutions that address core technology upgrades, integrations and automation solutions. These moves can help make the most of a lender's human resources and incorporate more data into their decision-making processes. Investments in customer experience solutions (27%) can help address the pressures lenders feel on the front-end of their operations.

Given the potential of these kinds of tools, it's not surprising mortgage-related technology companies are significantly more upbeat about their business prospects in 2023 than the rest of the industry. More than a quarter of mortgage technology companies expect growth (ranging between some to substantial) in the new year, versus not a single respondent in the bank or credit union segment.

Automation is the key to streamlining workflows

As well-intentioned and sensible as the expected growth in technology spend is, lenders' success will depend less on how much they invest than on what technologies they choose to implement—and how those technologies interact with one another. For many lenders, automation offers an especially attractive return on investment (see Figure 2). Making back-end processes and decision-making more efficient and effective can generate an improved customer experience on their own.

Figure 2: Efficiency Initiatives Top the List of Automation Investments for 2023



Source: Arizent/National Mortgage News, 2022

More than a third of lenders (37%) expect to invest in efficiency automation, looking to reduce costs at a time when strong economic headwinds are putting pressure on their revenues. Nearly one in five (19%) mortgage companies are likely to spend on automation that directly benefits the consumer. They understand that it has never been more important to differentiate their businesses through client and loan-seeker experiences.

“**Identifying gaps in technology, planning for revenue shortcomings and addressing resource constraints means thinking differently,**”

— Bryan Boynar, Hyland

After more than two years of pandemic and a societal move toward remote/hybrid work generally, lenders recognize that a cloud-based platform is a necessity. Nearly eight in 10 organizations are already using or moving toward fully cloud-based systems as part of their overall technology strategy. Ensuring lenders have the right cloud platform available to integrate fully with their other systems can help surface the data and content mortgage providers need to act quickly during the lending process. Automation also can support a more personalized experience for customers.

“The future is uncertain in lending. Identifying gaps in technology, planning for revenue shortcomings and addressing resource constraints means thinking differently,” says Bryan Boynar, Industry Product Manager for Hyland. “Utilizing modern content-service capabilities allows lenders to centralize, retrieve, view, and manage content and data to remain competitive and be prepared for the road ahead.”

Future-proofing mortgage lending

With careful planning and the right platform, lenders can respond to near-term challenges while also setting themselves up for success when markets eventually return to growth. Lenders should work to implement automation technology intelligently so that processes can be linked across the enterprise, allowing mortgage providers to improve efficiency and productivity while also upgrading the customer experience. Pursuing a strategic, impactful technology strategy means understanding how each solution fits into a larger, end-to-end solution that automates the entire mortgage lending workflow. A strategic approach is critical for prioritizing efforts.

Navigating the available options and implementing a comprehensive system can be a challenge for lenders, especially with IT departments already stretched to the limits. Vendor partners and integrated platform providers can help them develop the right strategy to support both their near- and long-term plans, offering greater productivity and efficiency today while also preparing them to take advantage when the housing market eventually returns to growth.

Methodology

During October 2022, National Mortgage News reached out to mortgage industry professionals in the banking and fintech space to lend their insights about issues facing their businesses in 2023. A total of 108 qualified leaders and staff at banks, nonbank mortgage lenders and servicers, mortgage brokers, and other professionals in the mortgage industry completed the online survey.



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