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matchbox

## Matchbox OP(erations) ED(itorial) Page Thoughts and Observations On The Market

September 19, 2014

**Innovate or Die**

**Forget QM (for a minute) - Focus on DM**

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The founders of matchbox have created a sister company that is focused on building custom technology products that focus on streamlined LOS integrations. Simply put, our goal in this venture is to make your life MUCH easier. The company is Ignite Integration Solutions or IGNITE for short. If you want to learn more about its offerings, please let us know.

Innovate or Die. Our title may come across as a bit harsh to some but hey, we need to grab your attention don't we?

Seriously though, in the mortgage world today, if you're not moving forward, you're moving backwards. If you're reading this newsletter you not only work in the mortgage industry, but you have CHOSEN to work in the mortgage industry, through good times and bad. At this point, sometimes we feel the entire industry is a 'Band of Brothers'. Well, we usually outline where lenders are in need of our help. This week, we'd actually like your help. As an industry we are so focused on turntimes and customer service, we just don't 'get it' when it comes to Ops.

Why do so many struggle to innovate, implement and move forward?

As QM conversations continue amongst compliance and secondary groups, let's take a breather this week and focus on DM, Data Management - it's just as important to a lender's bottom line.

We strive to keep you all well-informed, as we share our views. Staying a step ahead and running a tight operation are the keys to success in the mortgage banking world, and we are here to help bankers do so. We hope you find our newsletter useful, and if there is anything you want us to cover, [please let us know.](#)

**Innovate or Die**

The meetings of today seem to be a routine array of conflicting opinions and the end result is that nothing gets done. We sit in so many meetings and over and over again lenders become paralyzed or stagnated by indecision. "We're going to give it some thought and discuss again later." While that is a more than a fair response, isn't it the same line a client will give an LO when they're not interested? So what's your rebuttal? Why are we all so stuck when it comes to innovating, implementing and improving? There seems to be so much emphasis on the current "process" that when looking to gain efficiencies, lower origination costs, improve or streamline workloads, no one wants to change the current "process" and so the vicious cycle continues.

While the complaints of sky high origination costs only grow louder by the day, simple suggestions like launching a paperless environment are tabled. Why? Usually because a department or single person refuses the change. It's crazy to think about, but it's the truth. And even when an agenda is agreed upon, the implementation can have 5-10 people voicing various opinions of certain mechanics. What they are left with is a dragging implementation, wrought with indecision and hours upon hours of discussions.

If you look at the direction of the industry over the past few years, regulations and lack of product variations are making the mortgage market a true commodity and it's transparent to the client. More lenders are merging, taking advantage of economies of scale while differentiating yourself in the market is becoming more and more difficult (and expensive). Lenders are more alike than different today, which was not the case just a few years ago. On the compliance front, firms have made the required changes and in the process have absorbed the associated costs. Where we are seeing stagnation is in firm's lack of embracing innovation and allowing indecision to impede improving their operations.

As an example, we are continuously asked to make technology do what a human does not (want to) do. In most instances we agree with the thought process. The problem lies in why the request is made. The question is being asked because management ultimately does not have faith in its staff to do their job - usually because of errors or problems that have reached a boiling point. In many cases, lenders are looking to technology, not to reduce costs, and not to become more efficient, but to catch things that they do not think their staff can catch on their own. Don't we need to change this mindset? Yes, we can leverage technology for this purpose, but shouldn't we be looking at technology for real innovation? There are some very smart people in this industry and they are not utilized for their knowledge or skills. Most of our industry's talent is buried in an inefficient process and spending most of their time fixing problems or completing manual tasks.

There are certain items in today's market that used to be optional, but in our opinion are now mandatory. Examples of these items are:

- Being fully paperless
- Having a fully integrated LOS & PPE (hint: if you are manually printing or saving docs or manually completing 3-5+

datapoints, you are not fully integrated)

- Having a lead management platform
- Underwriters with a max touch rate of 3x per file (oh and of course having a method to track 'touches')
- Having access to clean, usable, on-demand reporting
- Eliminating communication via email and pipeline management through printouts or excel files

These are not just required to lower costs and make you more efficient, but they will also allow your staff to excel and scale. Providing a better client experience and allowing staff to shine is what will differentiate one lender from another. The above comments aren't so innovative in today's market, but they are prerequisites for taking on the real innovative ideas that are coming down the pipe e.g.

- Can the entire mortgage process operate in a virtual environment?
- What's an e-mortgage and will we be ready for it?
- How about originations and pipeline management on smartphones or tablets? (psst, this is coming)
- Can we get an application to closing docs down to 7 days?

Failing to embrace change or becoming stagnant on an implementation and lenders are asking to be passed by the competition. If you're not sure and asking 'is that me?' right now, someone else just moved passed you. We always love to help, it's what we do, but if anyone can help us understand and provide insight into the real answers as to why companies allow themselves to resist change, it will be an eye-opening experience for both of us.

### **Ditch QM and Focus on DM!**

We spoke last week about our new company, Ignite whose tag line is "Because Data Matters." Following up on the commodity theme (see above), the secondary and loan delivery process have converged into one. If you haven't realized this yet, we should have a serious talk. Many firms already understand their data and its accuracy are going to set themselves apart. And with sloppy data and poor management tools, margins and net revenue/basis points are shrinking by the day.

Communicating, capturing and understanding your data is the ultimate key. Most lenders have access to data-overload - the amount of data is not the problem. The issue is recognizing what data / reports are valuable and not getting bogged down in data overload / information that really means nothing to your process. Isn't every Secondary Department scrapping for every last penny? Don't they need time to strategize on new ways to leverage the pipeline? They will only be successful if data is not only available, but it's delivered in a streamlined fashion. There are way too many talented people in Secondary and Post Closing spend their time looking at reports and data that doesn't matter and don't know where to find or how to aggregate the data matters and that they truly need.

Everyone needs the ability to understand what data is necessary, extract the required data, translate it into the required format in the most efficient fashion. This is what sets a well-run back-end ops apart from those who are sloppy, inattentive, and careless

with margins.

Ignite's goal is to create programs that can extract, translate, move and deliver your data in a seamless fashion and allow you to save days on your warehouse line, receive additional early delivery credits, or allow you to scale without adding staff.

Understanding and managing your data is going to be the most important part of your business within the next five years. Ignite has been created to build the foundation of providing you your data and programs that will dramatically improve your process. Whether it's the bulk updates we discussed last week or bulk extracts, deliveries, conversions - it's all about getting the right data, and only the right data in the required parties hands in an expedited fashion.

### **About Us:**

matchbox is a collection of gritty industry veterans who decided to create a company aimed at helping mortgage companies ignite ideas that are outside the box to realize their true potential. We have years of real-life, hands-on experience in the business, and we want to offer our keen insight to others as they take on the challenges before them.

As individuals, we each contribute unique perspectives and expertise. Collectively, we provide a true roadmap to success, regardless of your current situation. Like any master craftsman, we are very passionate about our work, and we approach each client as if your company were our own. In the end, we help you, be a better you.