By: *Jane Mason*

MANAGING 'BUY VS. BUILD'

The traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry's digital growth.

There's little question that servicers need good technology if they hope to continually streamline their processes, meet their customers' digital demands, and drive seamless servicing that creates powerful results. However, the traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry's digital growth.

While there's logic behind both strategies, each can create siloed outcomes adding to higher costs and perpetuating this either/or approach. It is why so many organizations continue to struggle to improve overall efficiency. Yet, there is a more innovative path to choose that involves leadership, vision, and modern technology, in which servicers can have it all.

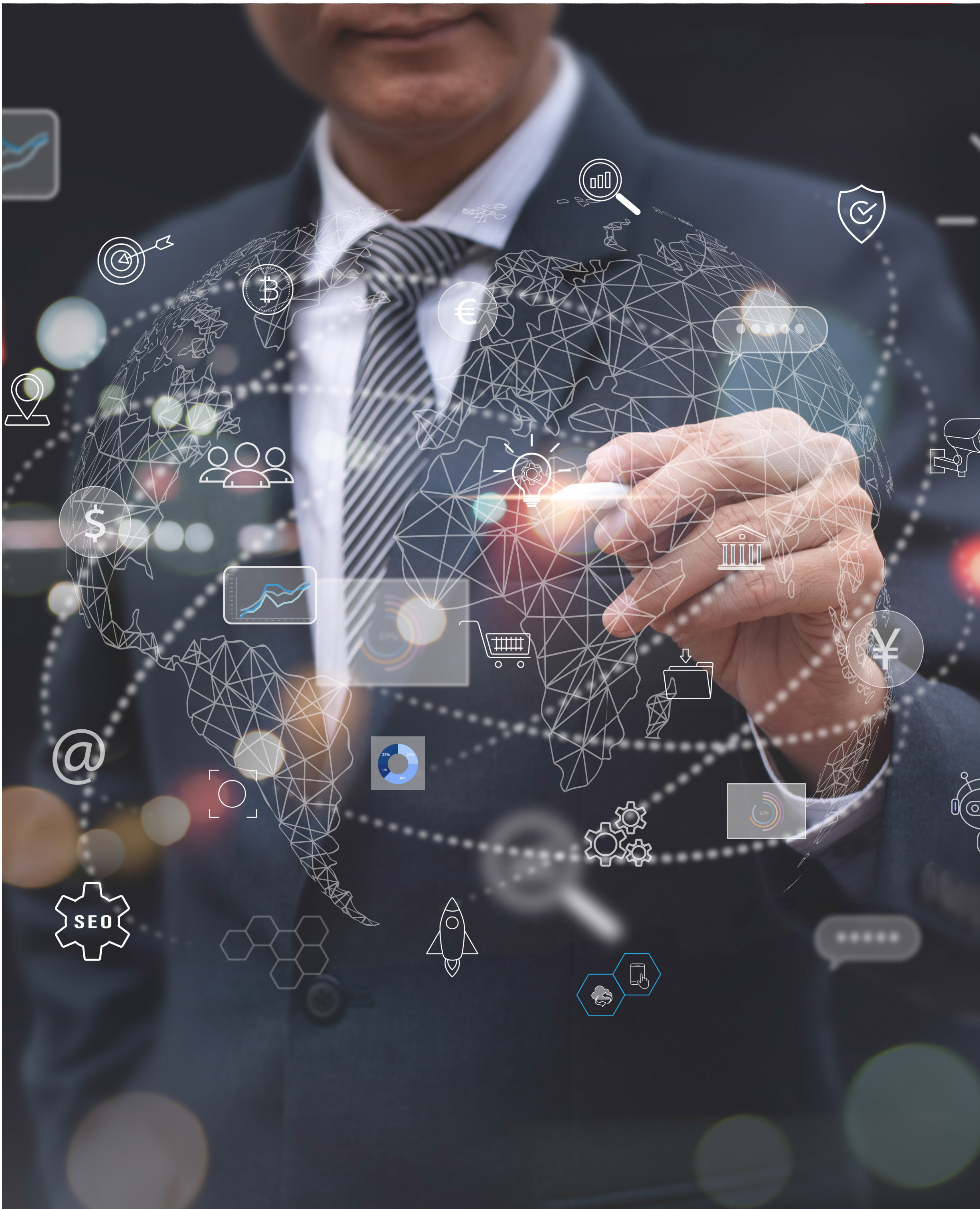
THE PITFALLS OF DIY

It's not as if servicers *can't* build their own technology. Any company with enough money can hire software developers and IT professionals and get them to build whatever they want. However, building technology is a major investment of time and resources that rarely goes the way servicers think it will. The fact is that servicers were never intended to be technology developers, which is why so many DIY efforts end up going astray.

For example, most attempts to build technology in-house are done reactively and are focused on managing or limiting the impact of an isolated issue. Such efforts could be as minor as creating a last-minute spreadsheet to building out a complete point solution that solves a current, short-term problem. Because these efforts are done reactively and rarely protect data integrity—often reusing critical data that produce error prone outputs—they not only fail to deliver real improvement but often create additional obstacles and costs. In fact, at the MBA Annual Convention in Nashville last month, someone privately admitted they had lost $50 million on their own technology initiatives, which are now being rebalanced with new vision from the company's leadership.

Of course, I understand the urge some servicers have to build their own technology or buy technology that has to be built out. They might buy off-the-shelf software, but the bulk of off-the-shelf mortgage servicing software has failed to evolve with changing borrower expectations and a shifting marketplace that includes new regulatory requirements, pandemic-related challenges, and volatile interest rates. Newer technology can also be equally problematic. Some of the newer fintech products that have entered the market are not yet proven and were built by companies that lack industry knowledge all making the buy rather costly.

On the other side, building your own technology or building workflows from scratch with a software vendor uses up a servicer's precious resources on areas that are not their core business. It places too much responsibility and pressure on a servicer's staff, which leads to burnout when people are forced to constantly


SEO

come up with fixes and workarounds just to get things done on a day-to-day basis. A servicer's software partners need to understand the business and have experience in consistently innovating through market trends.

A servicer's internal teams and outsourced developers may not be fully up to speed on what technologies are already available. Even if they are, the best technologies are not necessarily agreed upon by all parties involved. The teams and developers also may not know how to be inclusive of the customer journey or how to use seamless integration APIs that make mortgage servicing boundaryless. They may not have the capabilities to use what works from a proven process library, or the ability to add, change, and manage processes on their own without their software partner's help.

The impact of such activities isn't lost resources or dollars and cents—although it can contribute to higher costs. The bigger problem is that when productivity slows and your staff are continually being drained of energy because they are too focused on creating and fixing inadequate technologies, it ultimately shows up in poor customer service, leading to reputational harm and possibly enforcement actions. All negatively influencing the bottom line.

Despite the challenges, there is a better way to manage the build-buy relationship.

HOW TO HAVE IT ALL

Regardless of what options they choose, ultimately, a servicer's technology should provide real-time access to borrower information, enhance workflows, and utilize automation wherever possible. It should also create transparency and visibility into servicing processes to enable constant process improvement and drive compliance.

Fortunately, technology already exists that has these capabilities and more, including preset workflows and 24/7 borrower digital access to critical information, workflows, and responsiveness. Even better, servicers can leverage this technology to accelerate their strategic initiatives while retaining full operational control by tailoring it to fit the needs of their business.

However, servicers first need to evolve past their "buy versus build" ways of thinking about technology and embrace a buy and build approach. That's because it's completely possible to buy pre-built technology and strategically enhance and customize it in order to better service loans more digitally, cost-effectively and efficiently, regardless of where borrowers are in the loan lifecycle or the evolving mortgage ecosystem.

With this approach, servicers can easily and readily change processes and workflows as new market challenges emerge, such as the ability to bulk process forbearance requests or provide instant relief to homeowners who have been impacted by a recent hurricane, wildfire, or another natural disaster. This is made possible through cloud-based software delivery that allows a servicer's analysts or processors to access, configure, and manage workflows no matter where they are located or what device they use. Servicers could also take the full SaaS approach and have their process expert software partner make these changes for them.

The end result of this approach is more innovative, progressive, efficient, and seamless servicing that produces the highest level of returns. Keep in mind that originators are trying to optimize their costs and retain customers too, particularly in today's increasingly difficult market. They obviously favor servicing partners that incorporate proven, process-driven technology that enhances the borrowers' experience.

Simply put, there is no better way to achieve this level of innovation than buying technology that is already proven and building upon as necessary, based on ever-evolving industry scenarios.

NO TIME TO WASTE

Regardless of what path you choose when implementing technology, this is no time to make costly mistakes. Servicers can have both pre-built proven processes, robust features, integrations, smart data integrity, and the ability for their teams to build new workflows that they need from easy-to-use interfaces. But they ought to act soon.

Servicers spent the past decade heroically navigating historic levels of mortgage defaults, soaring refi volumes, requests for assistance from an endless procession of natural disasters and a pandemic, and a relentless wave of new complexities to their businesses. With an increase in borrower defaults coming in the months and year ahead—as more Americans grapple with rising prices and an economy on the verge of recession—it's not going to get any easier.

As the landscape shifts, servicing costs can only rise from here on out, and the impact will be much more severe for companies that fail to take a proactive approach to their technology.

However, that proactivity should not go as far as taking on the entire burden of building and maintaining technologies on one's own. Such a burden is simply too great and too risky in today's rapidly changing environment. Instead, servicers should be spending their resources carefully by leveraging innovation that brings all parties into a cohesive, connected, and proven way of doing business.

Imagine providing today's increasingly impatient consumer with any request they need at any time, through any device, within a personalized user-friendly online portal, while lowering costs and improving customer retention. These things are already possible. To achieve them, servicers first need to embrace a buy-and-build approach, and the best time to start is now.

***Jane Mason** is CEO and Founder of Clarifire and the original architect behind CLARIFIRE, an application that brings all parties within mortgage servicing operations together onto one secure platform. She is a recognized leader in technology solutions for the financial services and mortgage industries. With over 15 years' experience in financial services technology, Mason started her career in business operations, quickly becoming an executive of an international law firm. As an entrepreneur and innovator, Mason has received numerous awards and accolades for her service in local business and the national mortgage stage.*