EXECUTIVE BRIEF

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Streamlining the mortgage lending lifecycle using innovative technology solutions and improved business processes

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Objectives

This executive brief highlights the need for mortgage lenders and servicers to improve and streamline the mortgage lending lifecycle through a migration from current manual processes and legacy technologies to workflow-enabled systems, automated decisioning engines, and improved process performance.

Amidst new regulations and a challenging housing recovery environment, innovative technology solutions and improved business processes are fast becoming an imperative for the mortgage marketplace. The findings in this report draw from data received through a survey of banking and mortgage professionals about their current and planned workflow technology solutions and processes, as well as the systems used by loan servicers throughout the loss mitigation cycle.

Among the findings from this research

- At least nine in ten loan originators are likely to reevaluate their processes or technology to enhance workflow management, even though they consider their current workflow processes and technologies to be effective.
- The majority (77%) of mortgage companies say they are likely to consider using business process management and technology services in the future.
- Virtually all (98%) of servicers participate in government sponsored or private label loss mitigation programs.
- The majority of loss mitigation efforts still include a combination of manual processes, such as manual or paper worksheets (67%) and spreadsheet templates (88%); however, this study reveals that in the next twelve months, only 20% of servicers plan to use manual or paper worksheets and 20% plan to use spreadsheets.
- Servicers increasingly believe that technology can improve a variety of loss mitigation tasks. Twenty-four percent indicate that they plan to use proprietary automated decisioning systems twelve months from now, while 35% plan to use off-the-shelf decisioning systems.
- More than two-thirds of servicers indicate that dealing with strict loss mitigation program guidelines is a top impediment to helping distressed borrowers.

Methodology

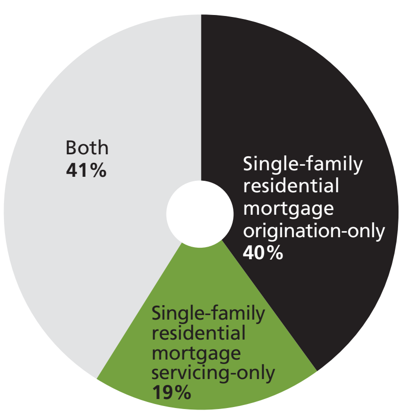
The findings presented in this report are based on an online survey conducted by SourceMedia Research in May and June 2012 among 305 decision makers from single-family residential mortgage origination and servicing companies, including banks, non-depository mortgage banks, credit unions, savings and loan/thrift-owned institutions, mortgage specialty servicers and subservicers. One-quarter of all respondents are C-level or senior business executives (including executive VPs, senior VPs and managing directors), and another 20% are division or department heads at their company. All respondents were screened for their involvement with their company's mortgage pipeline and portfolio management, analytics or technology products.

The sample was randomly drawn from subscribers of *National Mortgage News*, *Mortgage Technology*, *Mortgage Servicing News* and several other business mailing lists. Margin of error for the total sample is +/- 5.6% with a 95% confidence level.

Respondent profile

Among the more than 300 participants in the survey, 40% are from single-family residential mortgage origination-only companies, 19% are from single-family residential mortgage servicing-only companies and 41% work for companies with both origination and servicing businesses; mortgage brokers were excluded from the study. Figure 1 shows the distribution of mortgage company types represented in the survey.

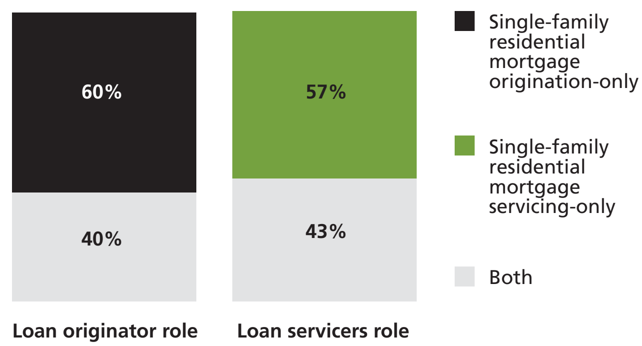
FIGURE 1: **MORTGAGE COMPANY TYPES**



n = 305
In which of the following mortgage segments does your company do business?

Among respondents whose roles are in loan origination, 60% work for a single-family residential mortgage origination-only company and 40% are employed at a company that does both origination and servicing. Among those in loan servicer roles, 57% work at a servicing-only company, and 43% work for a company providing both origination and servicing. Figure 2 shows the distribution of participants within each of the mortgage business segments.

FIGURE 2: **LOAN ORIGINATORS VERSUS SERVICERS**



n = 305
Which of the following best describes your primary area or functional role within your company?

Loan originators: those who perform all the functions from taking loan applications to the disbursal of funds (or declining the application), include survey respondents whose specific functions are:

- Sales
- Underwriting
- Post-close or secondary

Loan servicers: those who perform all the functions after the disbursal of funds until the loan is fully paid off, include survey respondents whose specific functions are:

- Loan servicing
- Loss mitigation
- Foreclosure
- REO

Key findings

The dynamics of changing regulations, evolving technology and process improvements continue to have an increasing impact on the mortgage industry. As stated by one respondent, "Government regulations and compliance changes are making it too difficult to conduct business in the current environment." In addition, manual workflow processes and technologies present numerous challenges to loan originators and servicers who need to improve response and processing times to keep up with higher volumes and production levels. Outdated workflow technology and labor intensive multi-touch, paper-based processes are inherently inefficient, creating the increased potential for bottlenecks and processing errors.

This report describes the following key findings based on the research

Although mortgage professionals believe that their current processes and technologies are effective, they are still considering workflow improvements. More than three in four originators and servicers generally believe that their current processes and technology are effective. Nonetheless, the majority of them (91%) indicate that they are still likely to reevaluate their processes and 90% are likely to improve their technology to enhance workflow management.

Most mortgage companies are likely to consider using business process and technology management services (traditionally business process outsourcing) and there will be no one-size fits all when it comes to using these types of services. Of the 77% of respondents who said they are likely to consider using business process and technology management services, one in four is likely to consider using these services for their entire workflow as a supplement for overflow business during peak times.

Servicer participation in government sponsored or private label loss mitigation programs is widespread. Among mortgage servicing respondents, only 2% said they did not offer borrowers government sponsored or private label loss mitigation programs. The majority of respondents participate in at least one of the Making Home Affordable programs (HAMP, HARP and HAFA). However, they said increasing guidelines continue to impede their efforts to help distressed borrowers. Among proprietary loss mitigation efforts, modifications, refinancing and short sales are the most widely used private label programs.

Most loss mitigation efforts still include a combination of manual processes and technology; however, this study reveals that servicers are increasingly reducing their manual processes and incorporating more automation and business process and technology management services. Paper worksheets currently account for two-thirds of servicers' loss mitigation efforts, while 88% of servicers use semi-automated spreadsheet templates. Additionally, nearly half of servicers currently use commercial off-the-shelf automated decisioning engines for their loss mitigation efforts, and 37% have developed custom automated decisioning engines. In the near future, manual and semi-automated systems may be less pervasive. Only 20% of servicers said they plan to use manual or paper worksheets and 10% said they plan to use spreadsheets twelve months from now.

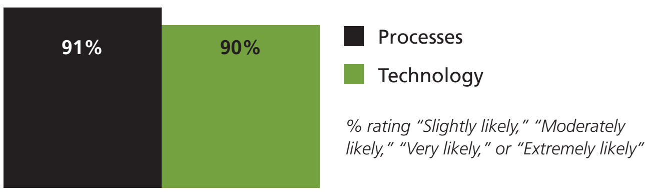
Servicers believe technology can improve a variety of loss mitigation tasks. Servicers will likely continue to embrace automation–23% indicate that they plan to use proprietary automated decisioning systems twelve months from now, while 35% plan to use off the shelf decisioning systems. Servicers said they believe a myriad of loss mitigation tasks could be improved with technology or other resources, ranging from property valuations and predictive analytics to e-signatures and borrower communication.

Dealing with loss mitigation program guidelines continues to impede servicers' efforts to help distressed borrowers. More than two-thirds of servicers rank strict loss mitigation program guidelines among the top three external forces that most negatively impact their ability to help the most distressed borrowers. Additionally, nearly half of servicers rank frequent changes to program guidelines as a top external force that most negatively affects their efforts.

Opportunities for improved automation, business process and technology management services

Respondents are hardly complacent with their current workflow systems; at least nine in ten report they are likely to reevaluate their workflow processes and technologies for managing workflow, as shown in Figure 3.

FIGURE 3: **LIKELINESS TO REEVALUATE CURRENT WORKFLOW PROCESSES AND TECHNOLOGY**



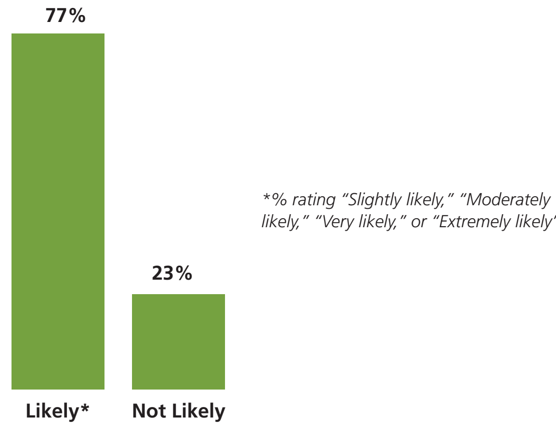
n = 236
How likely is your company to reevaluate its current processes and technology for managing workflow?

Respondents who describe their company's current workflow systems as ineffective cite a number of factors, namely:

- Labor-intensive manual systems
- Outdated and slow technology
- Multiple systems and lack of system integration
- Lack of scalability
- Lack of support
- Lack of workflow management

Additionally, when asked about the likeliness of their companies to consider business process and technology management services to manage all or part of their workflow processes, 77% of respondents indicate they are likely to consider these solutions, as shown in Figure 4.

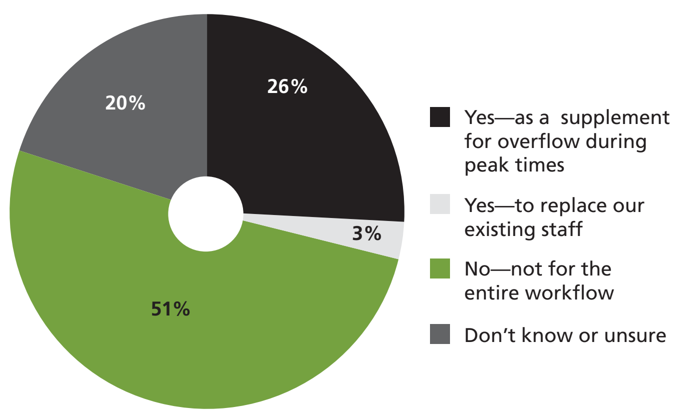
FIGURE 4: **LIKELINESS TO CONSIDER BUSINESS PROCESS AND TECHNOLOGY MANAGEMENT SERVICES**



n = 226
How likely is your company to consider business process and technology services (traditionally business process outsourcing) to help manage all or parts of your workflow process?

The data further shows that among respondents likely to consider business process and technology management services, more than one-quarter would use them to fulfill their entire workflow as a supplement for overflow during peak times. Another 3% would replace their existing staff with business process and technology services (see Figure 5).

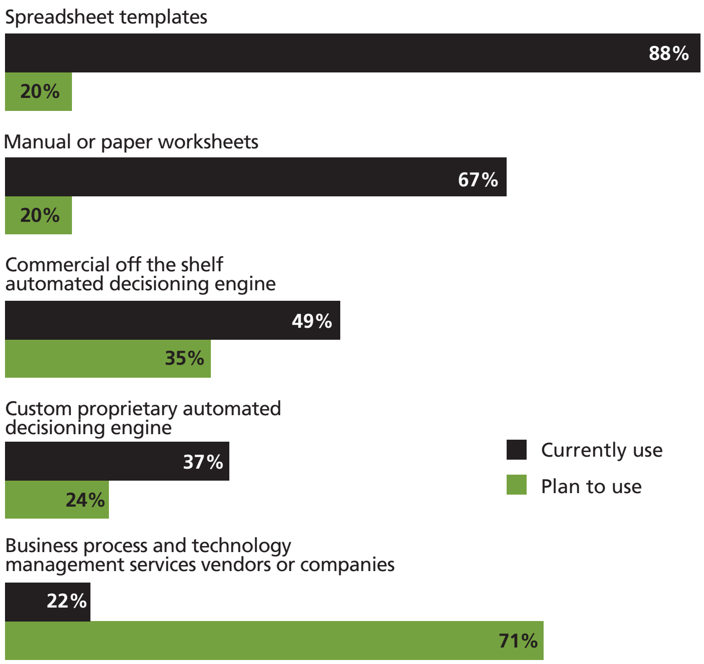
FIGURE 5: **INTENT TO USE BUSINESS PROCESS AND TECHNOLOGY MANAGEMENT SERVICES TO FULFILL ENTIRE WORKFLOW**



n = 174
Would you use business process and technology services (traditionally business outsourcing) to fulfill your entire workflow?

Among loan servicers currently offering loss mitigation strategies, a large majority (88%) are still using semi-automated spreadsheet templates and 67% are using manual or paper worksheet systems to determine borrowers' eligibility for these loss mitigation options. However, data shows that in the next twelve months, paper-based systems will be replaced by business process and technology management services to help servicers determine borrower eligibility for loss mitigation. Only about one in five servicers plan to be using manual or spreadsheet systems, while 71% plan to use business process and technology management services companies for determining loss mitigation. Figure 6 shows current versus future plans for technology use in determining borrower eligibility for loss mitigation.

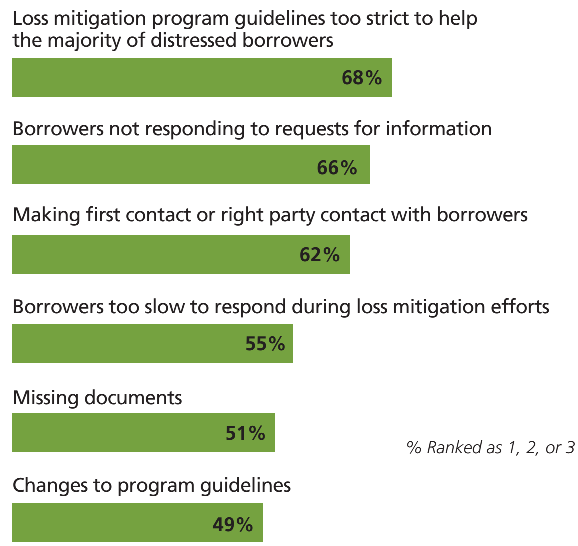
FIGURE 6: **CURRENT VERSUS PLANNED SOLUTIONS TO DETERMINE LOSS MITIGATION ELIGIBILITY**



n = 52
Which of the following does your company currently use to determine a borrower's eligibility for the loss mitigation options you offer and which ones do you plan to be using twelve months from now?

Various external forces affect loan servicers' loss mitigation efforts. More than two-thirds of servicers rank strict loss mitigation program guidelines among the top three external forces that most negatively impact their ability to help the most distressed borrowers, as shown in Figure 7. Also at the top of the list for nearly half of all servicers is the frequency of changes to program guidelines.

FIGURE 7: **TOP THREE EXTERNAL FORCES THAT MOST NEGATIVELY AFFECT LOSS MITIGATION EFFORTS**



n = 44
Which of the following external forces most negatively affect your loss mitigation?

Summary

Most professionals in the mortgage origination and servicing sectors believe their technology and processes are effective, but that's not stopping them from plans to reevaluate current practices. Our research shows these professionals have significant interest in utilizing business process and technology management services for their company's workflow as well as to support their overflow capacity during peaks in business.

Virtually all servicer respondents continue to provide loss mitigation options to distressed borrowers and most of them currently rely on a hybrid approach of manual and technology-driven strategies to qualify borrowers.

Many servicers indicate they are likely to move away from paper worksheets and semi-automated spreadsheets toward using automated decisioning systems for their loss mitigation efforts, but program guidelines are still a challenge. Servicers cite strict guidelines and frequent changes to policies as the biggest impediments to helping borrowers.

About Genpact Mortgage Services

Genpact offers 16 years of experience in end-to-end fulfillment of mortgage origination. Headquartered in Irvine, California, Genpact Mortgage Services delivers specialized mortgage support from locations in the U.S. and abroad. We combine our global delivery capabilities with process excellence, cutting-edge technology, innovative analytics and superior customer service to provide the right solutions at competitive prices. To know more, please visit genpact.com/mortgage.

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SourceMedia Research was launched in 2010 to operate in tandem with the company's existing news and analysis, events and marketing solutions operations. Building on SourceMedia's strong audience communities, and working closely with its editorial teams, SourceMedia Research provides a full range of industry-standard capabilities, including quantitative and qualitative research, data analysis and panel management. Survey instruments are developed independently by our subject matter experts, as well as in consultation with syndicate partners and clients. Data and insight derived from SourceMedia's research studies can support strategic and tactical decision-making, product development and demand analysis, as well as the creation of custom research, thought-leadership and positioning programs.

About Genpact:

Genpact Limited (NYSE: G), a global leader in business process management and technology services, leverages the power of smarter processes, smarter analytics and smarter technology to help its clients drive intelligence across the enterprise. Genpact's Smart Enterprise Processes (SEP^{SM}) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. Genpact's Smart Decision Services deliver valuable business insights to its clients through targeted analytics, reengineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, Genpact also offers a wide variety of technology solutions for better business outcomes.

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