

Mortgage Metrics Matter

**LOS FUNCTIONALITY RATINGS:
INSIGHTS FROM THE LOS TECHNOLOGY
INSIGHT SURVEY**

AN EXCERPT FROM
STRATMOR
INSIGHTS

Mortgage Metrics Matter



LOS FUNCTIONALITY RATINGS

INSIGHTS FROM THE LOS TECHNOLOGY INSIGHT SURVEY

STRATMOR's 2016 LOS Technology Insight Survey (TIS) captures and consolidates incisive information provided by more than 250 lenders regarding commercial-off-the-shelf (COTS) and proprietary Loan Origination Systems. The survey explores the scope of available functionality they provide, the degree of vendor support and the levels of their implementation success. Also, the survey captures lenders' perspectives on current and future mortgage technologies.

The LOS Technology Insight Survey measures:

- LOS Market Share
- Overall Satisfaction
- User Experience
- Implementation Experience
- Expenditures
- Required Resources
- Other Considerations

This information is vital to lenders considering the procurement of a new LOS or other mortgage technology, assessing the capabilities of their existing mortgage technology relative to competing systems and, in the context of Mergers & Acquisitions transactions, the capability and value of the buyer's or seller's technology.

Excerpts from the 2016 TIS Results

The 2016 TIS asked lenders to rank how effective their LOS was in providing functionality for fifteen (15) specific capabilities, using the following scale:

- Highly effective / competitively advantaged
- Adequately effective for our needs
- Somewhat ineffective / competitively disadvantaged
- Ineffective / of little practical benefit

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The following are select results from the LOS Technology Insight Survey.

Q

How effectively does the LOS deliver compliance functionality?

A

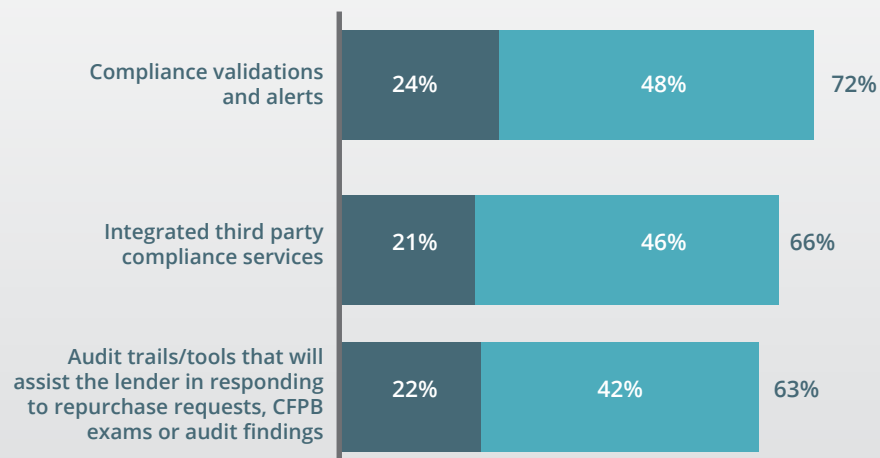
The compliance capabilities that were ranked were:

- Compliance validations and alerts
- Integrated third party compliance services
- Audit trails/tools that will assist the lender in responding to repurchase requests, CFPB exams or audit findings

The chart below plots the percentage of responses in the top two categories: Highly Effective and Adequately Effective.

Compliance Functionality Rating

■ Highly effective / competitively advantaged ■ Adequately effective



STRATMOR LOS Technology Insight Survey, 2016. ©STRATMOR Group, 2017.

- Less than 25 percent of the lenders indicated that the compliance tools in their LOS were Highly Effective and afforded them a competitive advantage.
- Between 40 and 50 percent of lenders rated the compliance functionality as Adequately Effective — hardly a ringing endorsement.

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LOS TECHNOLOGY INSIGHT SURVEY

Q

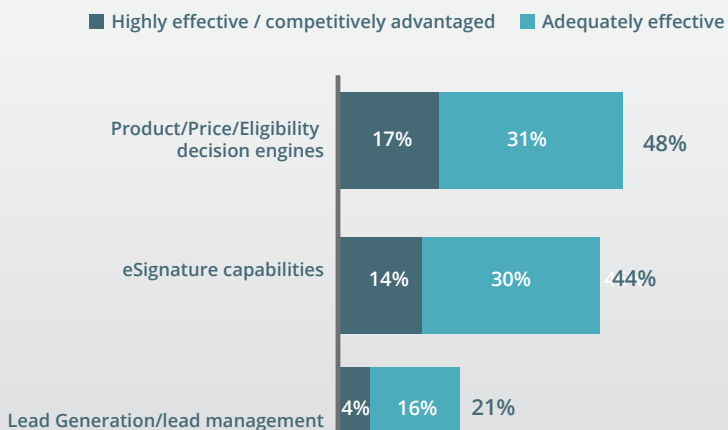
What functionality do lenders feel is most missing from their LOS?

A

The lowest functionality rating across all lender sizes, types and LOS were the following:

- Lead generation / lead management
- eSignature capabilities
- Product/Price/Eligibility decision engine

Lowest Rate Functionality



STRATMOR LOS Technology Insight Survey, 2016. ©STRATMOR Group, 2017.

- Lead generation/management was by far the lowest rated functionality.
- Only four percent of lenders indicated that their LOS provided highly effective lead generation capabilities; and with the market shift to more purchase business, the lack of lead management functionality will become even more important.
- Similarly, lenders gave low scores to both their LOS's built-in product, pricing and eligibility decisioning and eSignature functionalities.

Lenders Are Turning to Third Party Vendors

The clear implication here is that if LOS vendors do not actively improve these important functionalities, lenders will turn — indeed, are turning — to third-party vendors. Lacking the financial resources or technical talent to upgrade their built-in functionality, the strategy of some LOS vendors is to make it easy for lenders to interface their LOS with third-party vendors for select functionality.

Stronger LOS vendors, in addition to facilitating integration with third-party vendors, are also upgrading their built-in functionality in the belief that many lenders would prefer to deal with as few IT vendors as possible. If correct, they will have both a competitive advantage and a broader revenue base.

PARTICIPATE IN THE SURVEY BELOW

The 2017 LOS Technology Insight survey is now open for participation. If you are interested in participating, [click here](#). ■