

Mortgage Metrics Matter

TECHNOLOGY INSIGHT SURVEY

AN EXCERPT FROM
STRATMOR
INSIGHTS

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STRATMOR Group recently launched the 2018 Technology Insight Survey, the only independent technology survey in the industry today that gives voice to mortgage executives' experiences with their technology.

"Our goal in conducting this technology study is to offer lenders much needed, non-vendor-provided data on the technologies at work in the mortgage marketplace," says STRATMOR Senior Partner Garth Graham. "We are collecting data on a wide range of systems, and this year we've added more questions on Digital Mortgage technology, Customer Satisfaction survey tools, LOS solutions, closing and collaboration tools and other solutions.

"We need to hear from every lender," says Graham. "Vendors are definitely paying attention to this study. They want to improve their systems, and they want to hear what their clients have to say."

Share your observations with your industry peers — take this survey! Follow this link to the STRATMOR website: [Technology Insight Survey](#).

In this month's Mortgage Metrics Matter article, we look at responses to two of the questions asked in the 2017 Technology Insight Survey:

Why do Lenders replace their Loan Origination Systems (LOS)?

What does it cost to replace an LOS?

Select Results from the 2017 Technology Insight Survey:

Q

Why do lenders decide to replace their LOS?

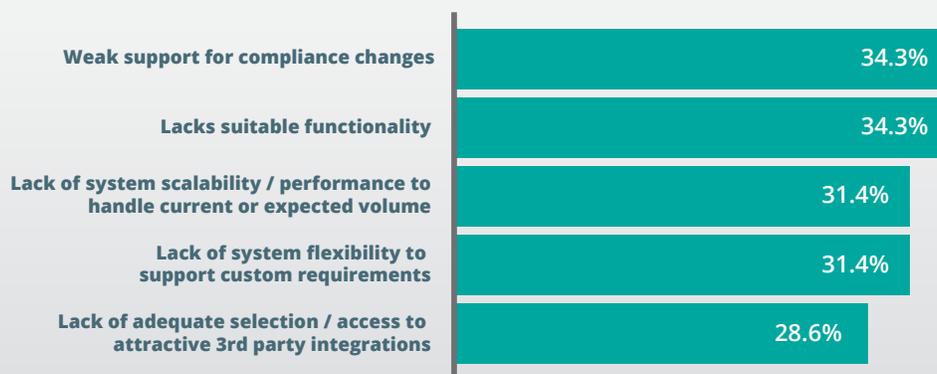
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Replacing an LOS is like replacing an engine while the car is speeding down a highway. It can be the most significant project a lender undertakes and a lender will only replace an LOS when it is deemed critical to the future of the business.

In the 2017 survey, 17 percent of respondents indicated that they had decided to replace their Loan Origination System (LOS). This is a slight drop — two percentage points — from the 2016 results which indicates that most lenders plan to stay with their current system.

Because replacing an LOS is a major event, lenders were asked to cite the reasons they were embarking on a system replacement.

Top 5 Reasons for System Replacement



STRATMOR Technology Insight Study, 2017. ©STRATMOR Group, 2018.

Overall, lenders indicated that when a system lacks support for key compliance changes or does not keep pace with the functionality requirements, that system will be replaced.

In 2017, some systems simply did not keep up with the rapidly changing compliance requirements. As a result, 34 percent of those companies replacing systems indicated that weak vendor support for compliance changes was a key driver in replacing a system. Lack of functionality tied with lack of support for compliance changes as the top reason lenders switch systems.

Further, systems that are not built to scale with lenders as production grows or that are not built to allow lenders to customize the system to their individual workflow or product needs were cited by more than thirty percent of lenders who are replacing the systems as reasons for replacing their systems.

Finally, lenders are increasingly looking at ancillary technologies and are looking for easier ways to integrate those technologies with the LOS. Lenders are willing to replace an LOS to have better integrations to third party software.

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Q

How much does it cost to implement a new LOS?

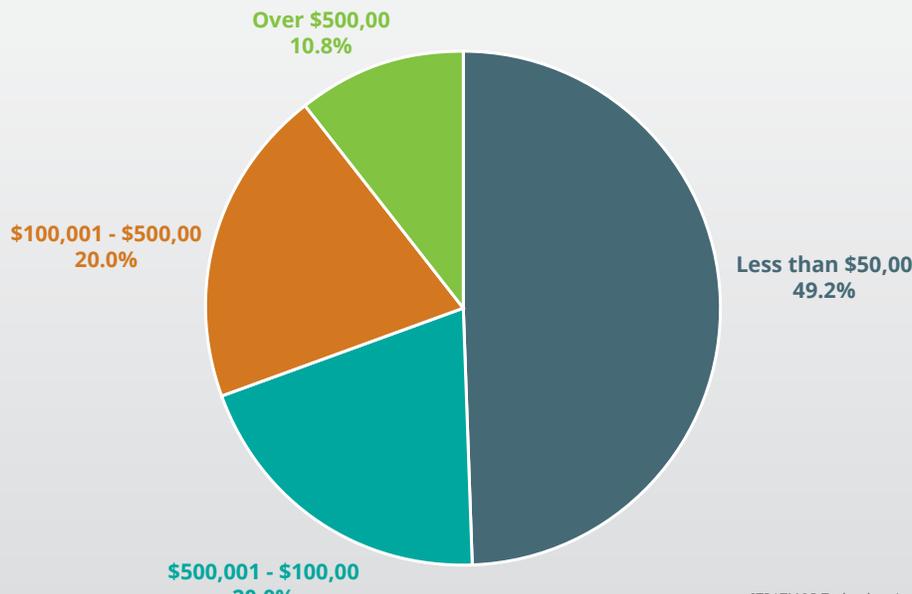
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System replacement is a significant undertaking from an organizational perspective and it can require a significant investment.

If a lender is looking to replace their current system, it is important to understand that for any system, the cost of implementation varies based on the lender characteristics, the discipline of project management and the level of customization required at “go-live.”

In the survey, lenders were asked the following question: Roughly what was the total upfront cost paid to the LOS Vendor(s), including licensing and initial implementation professional services fees to install your LOS and begin live production? This question was open to all respondents, not only the ones who were in process or recently implemented a new LOS.

Cost to Implement LOS



STRATMOR Technology Insight Study, 2017. ©STRATMOR Group, 2018.

Roughly half of the lenders indicated that the cost to implement a new system was under \$50,000. As you can imagine, these respondents tend to be smaller (Under \$2B) in terms of overall originations and FTE count. The larger lenders (Over \$2B) spent more on implementation which can be attributed to number of production channels, number of locations, and total FTE count as well as the systems being implemented. The desire to roll out a customized system will also drive up the costs on installing a new system.

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Are you changing your LOS in the next 12 months? Would you like to know the Digital Mortgage benefits—and the barriers?

STRATMOR's 2017 Technology Insight Study includes data on how lenders feel about their mortgage technology experiences, both systems and vendors services. This information is vital to lenders considering updating or changing an existing system to meet the digital mortgage needs of today's borrowers.

Our published results for last year's 2017 Technology Insight Study includes comprehensive mortgage technology data, analyzed and quantified by STRATMOR's team of data experts.

Key study metrics included:

- Digital Mortgage benefit and barrier perceptions
- Detailed findings on the top Point of Sale and Origination systems
- Lender satisfaction ratings and functional assessments of CRM, POS, LOS and key ancillary systems
- Adoption levels of key Digital Mortgage functionalities

Purchase your copy of the latest [Technology Insight Survey here](#).