Preparing For the Next Five Years

Over the next five years, we'll see a lot of changes but I might be so bold to actually predict less change than we've seen in the last five years. One rule of technology is that over the years, the rate of change has always accelerated. Could it be that this rule could be broken in the next five years? We'll also look at various technologies that will be important during this period.

The reasons I see the rate of change possible slowing are several:

1) The Internet bubble over the last five years has brought unprecedented investments into the mortgage technology arena. Venture capital firms have invested hundreds of millions but this flood of capital has completely dried up over the last 12 months.

2) Over the last several years hundreds of firms have attempted to build virtually every conceivable technology solution for our industry. The Internet bubble really built a tremendous amount of innovation. With this funding all but gone and almost every potential product having already been tried, there's little incentive to make additional investments. At this point, there's very few opportunities left that could yield any sort of returns on an investment.

3) Origination volume will be much lower next year compared to this year. Thus, all the vendors are planning on decreasing revenues. With loan originations running so high, a firm can't expect growing sales via an increase in the basic market numbers. Technology firms will invest appropriately in their R&D.

4) Larger lenders and originators have been making significant profits in the current refinance boom. Some of these profits find their way into technology R&D. With this boom undoubtedly subsiding, cuts in technology investments will clearly be forthcoming.

Because of the proceeding, I expect a significant drop in technology innovation in the next five years. Still, there will be areas of change that we should all be looking for and planning for. The following are a few areas that will likely see the widest amount of industry adoption from mortgage originators. These are the areas that will see success in the years to come.

Email

Already we are seeing consumers interacting with their loan officer and the office staff via email. While communicating with your customers via email is great, it's just the tip of the iceberg. Automated email generation will become more popular and sophisticated. We'll see systems automatically send emails to customers so that they are apprised of every step in the loan process. Further, your past customers will received emailed newsletters and special offers for additional products. While email has certainly permeated the nations consumers, the mortgage industry needs to do a lot more to really take advantage of this medium.

Supply Chain Management

This is one of the more popular technology areas among venture capitalists and you can expect solutions to come into being soon. Essentially, supply chain management is simply building communication systems between your office and that of the vendors that supply your office with the services you use. These solutions will help you manage vendors like title companies, wholesalers, appraisers, credit vendors, etc. Their useful for more than just placing orders and will help with order tracking, billing, fulfillment, etc.

Prequalified Rate Sheets

This term describes when a loan officer submits borrower data to a wholesaler's web site to obtain a prequalified rate sheet. Basically, today's faxed rate sheets will be made obsolete by systems from wholesalers that will help you find the right loan and quote various pricing options. Soon, you could obtain product recommendations along with pricing from many wholesalers at the click of a mouse. This will ease the loan officer's job and provide for a better loan product match for the customer.

Generic AUS Decisions

Today, AUS's are generally proprietary and designed for just the company that produces them. Eventually, we should be able to get a single AUS decision that is acceptable by many. Trying to learn many AUS's and then being unable to move that loan to other lenders is a real hassle for mortgage originators. Look for solutions to this dilemma to appear soon.

Consumer Database

Companies such as Microsoft and Sun are leading attempts to create massive databases that consumers can use to store all of their private information. Eventually, consumers will be able to send you this data easily, which simplifies the loan application process. Imagine asking the borrower to send you their "personal data file" and instantly, you have all the information you need for a loan application. Perhaps consumers will start putting off refinancing their loan simply because of the hassles related to obtaining a loan.

While the years to come will see reduced R&D investments in the mortgage industry, we will see some adoption of compelling

applications. Clearly, the investments forthcoming will be better targeted and should have a far higher success rate.   Keep your eye on some of the real jewels about to emerge.