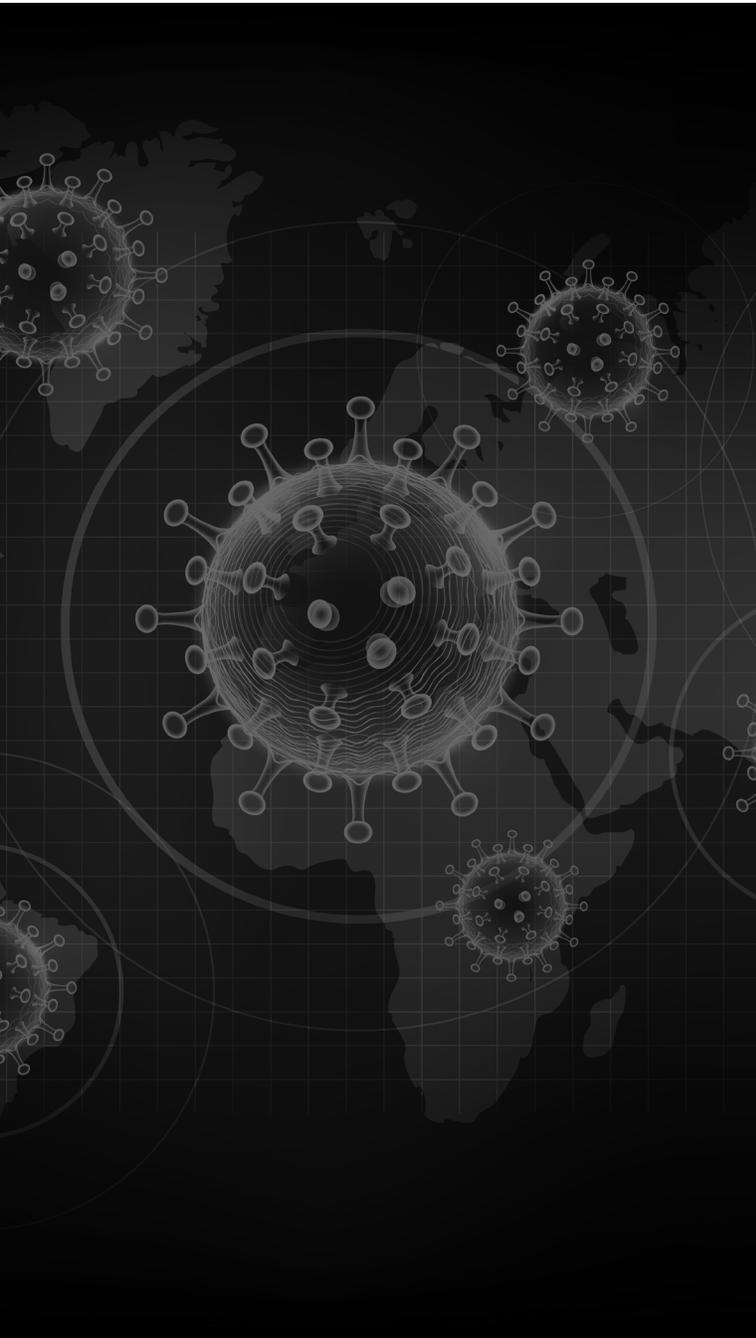


CAPCO

**THE NEED FOR MORTGAGE COMPANIES
TO INVEST IN REMOTE CAPABILITIES**





At the start of 2020, mortgage companies were already facing significant challenges, including lagging digital capabilities and increasing competition from both traditional and non-traditional players.

AND NOW A GLOBAL PANDEMIC.

As a result of COVID-19, mortgage companies have rapidly transitioned their entire operations to remote work while adapting to significant business changes, from a shift from purchasing to refinance volumes to dramatic increases in servicing call volumes regarding forbearance. Mortgage professionals across all functions, from processors to underwriters to call-center representatives, have learned to operate in remote environments. Some mortgage professionals, such as processors, have been repositioned to areas experiencing high demand, such as loan modifications.

To be prepared for the next major disruption, mortgage companies need the ability to rapidly transition to remote operations while adapting to business changes without interruptions in services or reductions in borrower satisfaction. Through these investments, mortgage companies will become more nimble and flexible organizations that are better prepared to handle the cyclical nature of mortgage cycles and seize strategic opportunities.

The way the mortgage industry manages its workforce will not return to its pre-COVID-19 state, and mortgage companies will ultimately benefit from a shift to remote operations. Now that mortgage professionals know flexible working options are possible, they will demand greater workplace flexibility, and mortgage companies with the capabilities to offer greater workplace flexibility will be able to attract and retain talent better. Through this shift, mortgage companies will be able to draw from a larger talent pool, reduce business expenses such as real estate and insurance costs, and reduce their overall environmental impact.

The COVID-19 crisis has exposed the need for mortgage leaders to make substantial investments in their technology infrastructure to enable remote workplace and process flexibility capabilities. These investments may be costly but will offer fundamental benefits in strategic positioning, workforce management, and, of course, disaster recovery planning.

INFRASTRUCTURE AND SOLUTIONS FOR REMOTE OPERATIONS

Mortgage companies need the infrastructure to support remote operations. All their technology must be able to run in a remote environment, and their employees must be able to work in a remote environment.

Cloud infrastructures can enable remote access to data and operations in a secure environment and is fundamental to remote operations.

Mortgage companies must move to the cloud, whether that means placing their data and applications on the cloud (e.g., AWS, Microsoft Azure) or running a hybrid cloud environment that requires minimal on-site support.

Mortgage professionals need the tools to operate in a remote environment at a moment's notice. At the minimum, companies should supply every employee with a laptop and headset with preconfigured VPN access. Employees should have tools for remote collaboration (i.e., Microsoft teams, Zoom) and access to remote tech support. Employees also need a high-speed internet connection in their residences. Also, managers must have protocols in place for monitoring work and measuring performance in a remote environment.

Mortgage companies must set up policies and controls to govern security in remote environments. Their technical controls, such as firewalls, encryption protocols, and provisioning around employee access to network resources, must be operational in a remote setting. Also, mortgage companies must formalize workplace security policies, such as requiring employees to avoid public Wi-Fi and encrypt sensitive data in emails¹.

All essential software used for manufacturing and servicing mortgages must operate remotely. To accomplish this, mortgage companies should invest in tools such as virtual desktop systems to manufacturing loans and virtual contact centers to operate call centers.

Virtual desktop systems offer mortgage employees access to all their applications and tools in a remote location. For instance, mortgage originators can use a virtual desktop to access loan origination software (LOS), collect and verify documentation, and perform all the steps needed to manufacture a mortgage.

Virtual contact centers allow customer service agents to effectively connect with customers from their homes while also offering mortgage companies the cohesion of a centrally based contact center. Virtual contact centers can use automation technology, like chatbots or virtual personal assistants, to help mortgage companies handle sudden spikes

in demand. As a result of COVID-19, servicing call center representatives do not have enough staff to handle a record number of borrower calls and requests surrounding loss-mitigate assistance, which has resulted in delayed borrower responses. Chatbots and virtual personal assistants can answer common borrower questions, engage in conversations with borrowers, and make recommendations, which can help call center representatives maintain high-quality customer service no matter the circumstances. Chatbots and virtual personal assistants are continually improving through machine learning technology, and this technology will play an increasingly critical role in helping mortgage companies respond to unexpected spikes in demand².

As part of disaster recovery and business continuity planning, mortgage companies need to regularly test their infrastructure and solution's abilities to operate securely in an entirely remote environment. Mortgage companies can test their platform's bandwidth by asking a significant portion of their workforce to work from home during a high-volume period and monitoring any issues that arise. They should also test their solution's abilities to handle unexpected increases in process volume in a remote setting.

Capco provides comprehensive solutions for remote operations spanning technology and infrastructure, cybersecurity, workforce optimization and governance, business continuity, and operational resiliency. Examples of specialized solutions include:

- Expedite cloud adoption roadmap to facilitate the transition away from physical dependencies
- Identify which operations and/or activities can be rerouted to alternative offices, offshore delivery centers, or third parties if needed
- Design a target-state cyber resilience framework to ensure continuity in future severe adverse scenarios for the 'New Normal'
- Evaluate and implement new communication channels to enhance remote capabilities
- Develop a workforce model/dashboard leveraging data and machine learning to monitor employee welfare, capacity, and productivity
- Implement digital collaboration practices and tools in support of distributed team productivity

¹<https://www.natlawreview.com/article/covid-19-system-security-remote-workforce>

²<https://www.gartner.com/smarterwithgartner/27297-2/>

SOLUTIONS FOR PROCESS FLEXIBILITY

Mortgage companies need the ability to adapt to business change and manage resource scarcity. They need processes to manage changes in resource needs, with the ability to rapidly transfer resources to in-demand positions to fulfill their staffing needs while avoiding layoffs. Due to COVID-19, most mortgage companies are simultaneously experiencing a glut of mortgage processors and a shortage of servicers and call center representatives. This situation can be remedied through investments in cross-training, where mortgage professionals are trained in many aspects of loan production and/or servicing so they can move around as volume fluctuates.

While investments in cross-training are necessary during times of crisis, they can also help mortgage companies adapt to changing market conditions. Mortgage application volume is often unpredictable, and mortgage companies have traditionally hired and fired resources based on anticipated future volumes, which leads to a deficit or surplus or resources when their predictions are incorrect. Through cross-training investments, mortgage companies can better manage their workforce.

Investments in flexible digital workflows will allow mortgage companies to adapt their processes to keep up with business needs rapidly. As a result of COVID-19, mortgage servicers will experience a sizably

increased caseload of delinquencies, which will require loss mitigation solutions. This will result in a scarcity of mortgage servicing professionals skilled in these areas. Digital workflows, which automate aspects of the mortgage lifecycle and assign tasks based on configurable settings, can be configured to push work to servicing professionals in a way that maximizes overall productivity and increases the capacity to handle unexpected spikes in caseloads.

Capco provides comprehensive solutions for process flexibility spanning people management, process automation, and workflow management. Examples of specialized solutions include:

- Provide employees with resources and training to work across functions, so that during peak volume scenarios they can assist in higher-volume channels, groups, or services
- Improve process management in service centers through case management solutions that enable users to see case actions/task history and share forms and documents among a central repository of relevant information
- Integrate functionalities like chatbots, digital assistants, machine learning, and RPA to automate routing and high-volume tasks

CONCLUSION

Making strategic investments in solutions that enable remote operations and process flexibility have multiple benefits and provide an immense strategic advantage. In the event of a crisis, mortgage companies will not face significant business disruption and be able to reassure their clients that they are there for them no matter what.

For remote operations and process flexibility investments to be truly effective, they cannot be viewed solely in the context and business continuity and disaster recovery planning. Mortgage companies must

embrace them as a core value and build it into the fabric of how their companies operate. Through this investment, these capabilities can serve as strategic differentiators that allow mortgage companies to operate as nimble organizations skilled at attracting talent and adapting to changing market dynamics.

Capco is uniquely positioned to partner with your business as a trusted advisor to navigate through these uncertain times. To learn more, please reach out to us at michael.peretz@capco.com.

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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