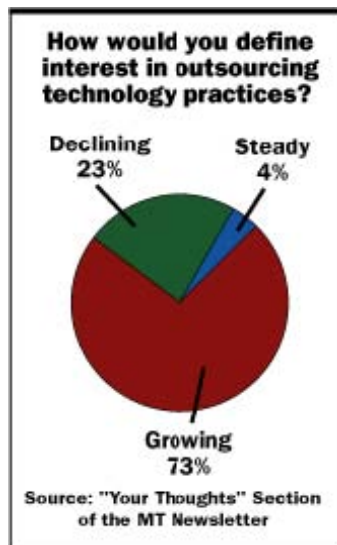


Who Wants to Outsource Anyway?

By Anthony Garritano, Editor, Mortgage Technology Newsletter

Actually, a good majority of lenders are very hot on outsourcing right now. In total, 73% of 22 respondents say demand toward more reliance on outsourcing through technology is very important in this market.

As the credit crunch continues, more people find themselves out of work. Nearly 88,000 mortgage industry workers have lost their jobs this year, according to the latest count by Challenger Gray & Christmas, a Chicago outplacement consulting firm. So how are lenders still operating with such a skeleton staff? More dependence on automation and outsourcing techniques.



"The interest in outsourcing technology is growing at a brisk pace," reported mortgage consultant Jordan Brown, CEO, MarketWise Advisors. "Given the lack of profitability of the mortgage industry, outsourcing and offshoring are viable strategic tactics to lower operational costs up to 40% and migrate fixed cost structures to variable. The survivors of the current liquidity crunch will be the firms that take proactive entrepreneurial steps to embrace lower cost structures and seek ways to transform their business in any environment."

"Historically when lenders get busy they throw bodies at processes, but now body-intensive lenders will look at outsourcing. As things get tighter, there will be more interest," said Titan Lenders Corp. founder and CEO Mary K. "There will be a continual progression to onshore, not offshore outsourcing. Lenders want to deal with people who

understand the business and can act as an extension of their staff without all the overhead.

"Further, when you talk about outsourcing reduced body count is an obvious ROI. You also have to look at paper, toner, printers, delivering files, the phones, etc., when calculating outsourcing ROI," she noted. "Also, on the technology side you have a Web-based structure that has imaging and offers total visibility. A lender certainly could purchase that technology, but it would cost thousands of dollars. Technology aside, lenders also benefit from the vendor's closing expertise."

But will lenders give up control? "Outsourcing invokes a lot of different thoughts. Knowledge Process Outsourcing is quickly becoming the latest buzzword," answered Todd Luhtanen, president and CTO at Dynatek. "Business Process Outsourcing is really about outsourcing labor for a lesser cost. We're talking low-skilled tasks. KPO takes that further and you talk tasks that require actual skill. We're marrying that with a platform approach to be able to offer this to our customers."

Dynatek recently launched what the company has dubbed onDemand Services. This move leverages the new services Dynatek can now offer given its recent acquisition by ISGN. The vendor's goal is to bring KPO to mid-tier lenders.



"Remember, outsourcing is not limited to offshoring. That doesn't always have a long-term sustainable value. onDemand Services depend on experts here that have a knowledge of mortgage," stressed Mr. Luhtanen. "There has always been a degree of outsourcing in the area of doc prep, for example. Our foray is a bit different because the platform allows the user to pick and choose what they want to leverage. Maybe they just want us to underwrite their government loans because they don't have the expertise. You can pick and choose, and change your selection over time. Outsourcing should be about choice."