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**Vinod Dham picks up 25% stake in ISGN** HARSIMRAN SINGH TIMES NEWS NETWORK [ WEDNESDAY, JUNE 13, 2007 03:08:38 AM]

NEW DELHI: NRI venture capitalist Vinod Dham's New Enterprise Associates (NEA) has picked up a minority stake in KK Birla-promoted mortgage BPO ISGN for about \$25 million. According to market sources, the VC has picked up about 22-25% in ISGN, valuing it at about \$100 million. When contacted by ET, New Enterprise Associates' partner Ravi Viswanathan declined to confirm the equity percentage. ISGN is the third largest mortgage servicing KPO in US after Fidelity and Fiserve. In the US loan origination software market, however, it claims to be the largest in with a share of 18%. The deal will add three New Enterprise Associates members to the board of ISGN taking its total strength to nine members. New Enterprise Associates-Indo US holds equity ranging from 10-25% in IT companies like GlobalLogic, Telsima, Protostar, InSilica and Sasken. ISGN said it will use the proceeds from New Enterprise Associates to help it expand inorganically. ISGN is on an acquisition spree. In May, this year, ISGN bought US-based Dynatek. In March, the company acquired the mortgage division of US-based Fair Isaac Corporation for an undisclosed sum. The company is looking for buyouts in mortgage servicing and default management space in India. With interest rates peaking at 6% from 3% (three years back), margins of lenders are shrinking in the US. To remain competitive, lenders are outsourcing end-to-end loan processing. "There are three elements to mortgage outsourcing market — loan origination, servicing and underwriting. The market is growing at a CAGR of 6.4% and there is a lot of untapped potential. Only 5% of the total loan origination market is being outsourced. For under-writing, 99% is left untapped. Apart from the US, Australia and UK are other hot markets for mortgage outsourcing," says TJ Singh, Gartner's research director for BPO Services. Genpact, HCL BPO, WNS, i-flex, iGate, TCS all have a play in mortgage outsourcing. But most of it is services based. ISGN, however, develops products. About \$500 billion worth of loans were transacted through ISGN's software out of the \$2.651 trillion US mortgage market last year. The company has about 70 employees based in its Chennai unit which it plans to increase to 400 by this year end.