



# Global Sourcing Trends in the U.S. Mortgage Industry

Global Sourcing / BFSI  
Market Report: October 2012 – Preview Deck

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# Background and scope of the research

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## Background of the research

- The economic recession and the subprime mortgage crisis (2008 to 2011) impacted the U.S. mortgage industry significantly, and led to increased cost and regulatory pressures on lenders and servicers
- Global sourcing is being looked at, by lenders and servicers both, as one of the levers to address these pressures. At the same time, these pressures are also affecting the pace and pattern of adoption of global sourcing in the U.S. mortgage industry
- Service providers have also evolved their capabilities to meet the changing needs of the industry

## In this research, we analyze global sourcing trends in the U.S. residential mortgages<sup>1</sup> industry. We focus on:

- Evolution and current level of adoption of global sourcing of services in the residential mortgage industry
- Sourcing strategies across leading financial institutions in the mortgage space
  - Function mix
  - Locations leveraged
  - Sourcing models used
- Landscape of the IT and BPO service providers in the mortgage industry
- Perspectives on potential themes and opportunities that are likely to influence outsourcing and offshoring in the future

## The scope and methodology of this research include:

- **Primary research:** Everest Group conducted interviews with leading buyers in the U.S. mortgage processing industry on their mortgage processing portfolio (in-house or outsourced). This information forms the basis of the analysis on buyer adoption
- **Services scope:** BPO (voice and non-voice), ITO (applications development and maintenance), and KPO (e.g., reporting and analytics)
- **Focus (buyer geography):** The United States
- **Service provider landscape:** Key providers offering services related to the residential mortgage industry, having signed deals in the public domain with U.S.-based buyers (banks and other financial institutions)

<sup>1</sup> Residential mortgages are loans secured on residential real estate, primarily in order for the property to be purchased by a householder

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# Overview and abbreviated summary of key messages

This report examines the global sourcing trends in the U.S. residential mortgages industry. Analyses include evolution and current level of adoption of global sourcing of services, sourcing strategies across leading financial institutions, and perspectives on potential themes / opportunities likely to influence global sourcing in the future. The report also provides an introduction to the IT-BPO service provider landscape for the mortgage industry.

**Some of the findings in this report, among others, are:**

## U.S. residential mortgage market overview

- The U.S. residential mortgage market declined over 2007-11 at a CAGR of (-)1.8%
- Although there are some early signs of recovery in the macro-economic environment, total home sales, and mortgage originations, significant uncertainty remains around the future course of the market

## Trends across buyer adoption and sourcing models

- Non-voice BP is the largest contributor to offshore scale, followed by voice-based processes
- India and the Philippines are the leading locations in terms of total offshore scale supporting the leading mortgage financial institutions
- Most companies leverage a mix of both sourcing models, although there are company-wide differences driven by various factors

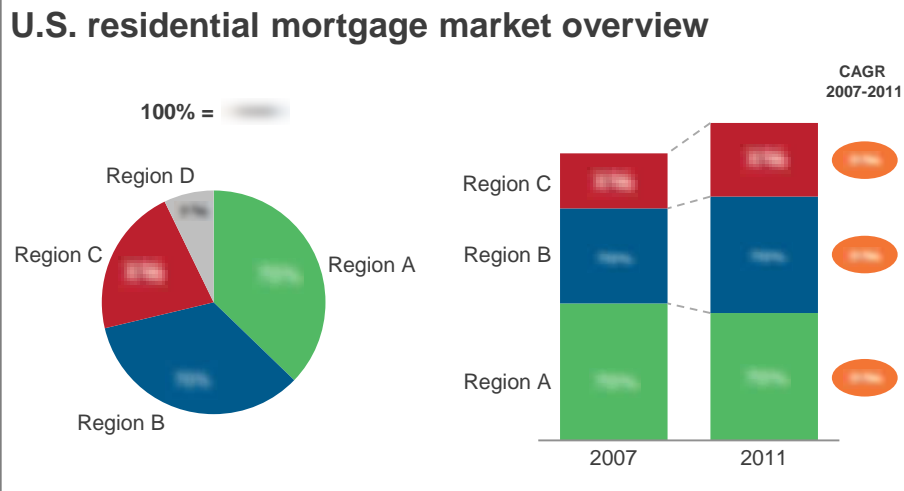
## Service provider landscape and emerging trends

- Overall, service providers have evolved capabilities in customer service, BP-origination, and IT-ADM processes
- Service providers in the mortgage IT-BPO market continue to make investments to achieve organic/inorganic growth, aimed at expanding the breadth and depth of their mortgage processing capabilities.

## Key future trends to watch

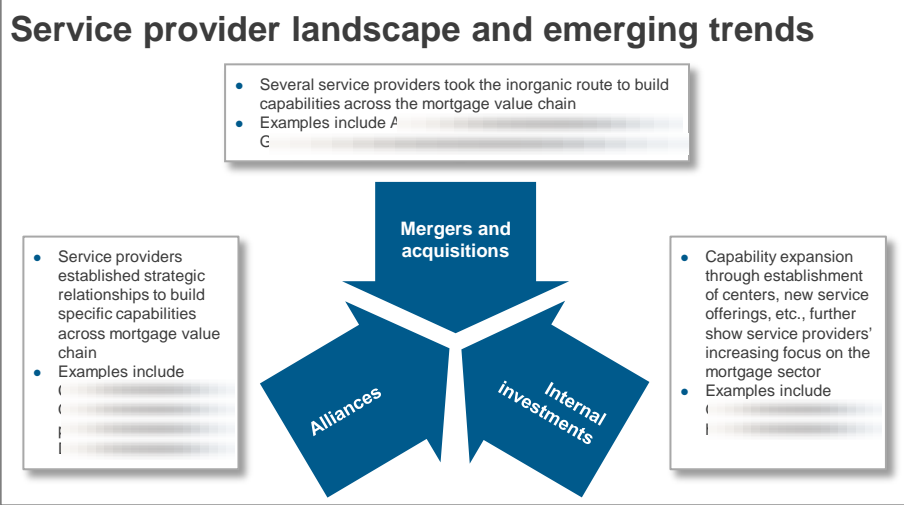
- Increased pressure brought on by the financial crisis and increased regulatory oversight are likely to increase the overall outsourcing/offshoring adoption among buyers
- However, there are certain specific areas in mortgage origination and servicing that are likely to witness greater level of global sourcing adoption

# This study offers four distinct chapters providing a deep dive into key aspects of mortgage global sourcing market



### Trends across buyer adoption and sourcing models

Origination	Servicing
<b>Telesales (Voice BP)</b> <ul style="list-style-type: none"><li>Telesales/telemarketing for new customers</li></ul>	<b>Customer service (Voice BP)</b> <ul style="list-style-type: none"><li>Customer query handling</li><li>Cross-sell/up-sell</li></ul>
<b>BP- origination (Non-voice BP)</b> <ul style="list-style-type: none"><li>Application data capture</li><li>Initial screening and basic credit checks (e.g., bureau)</li><li>Information verification and disclosures</li><li>Property valuation support</li><li>Legal (e.g., title deed verification)</li><li>Pricing and credit evaluation</li><li>Credit decisioning</li><li>Loan document completion and review (verification)</li><li>Loan closing and funding</li><li>Post closing</li></ul>	<b>BP- servicing (Non-voice BP)</b> <ul style="list-style-type: none"><li>Transaction processing (e.g., payoff processing, customer info changes, lien release, and closures)</li><li>Escrow administration (payments, tax, and insurance)</li><li>Foreclosures, settlements, REO, and bankruptcy-related</li><li>Statement and document processing (print, imaging, and mail room)</li><li>Default management / loss mitigation / loan modification</li></ul>
<b>Collections (Voice BP)</b> <ul style="list-style-type: none"><li>Includes early-stage and late-stage collections</li></ul>	
<b>KP (e.g., MIS reporting, scorecard modelling, and decision support)</b>	
<b>IT-AD (Applications Development and Maintenance) – mortgage-specific</b>	



### Key future trends to watch

<b>Growth in offshoring</b>	<ul style="list-style-type: none"><li>The biggest opportunity areas for growth are expected to be [redacted]</li><li>[redacted] is already well-penetrated and increase in offshoring is primarily expected from [redacted]</li></ul>
<b>Regulatory landscape</b>	<ul style="list-style-type: none"><li>Increasing costs and complexity of processes, driven by greater regulatory oversight, are [redacted]</li></ul>
<b>Increasing role of [redacted]</b>	<ul style="list-style-type: none"><li>Banks are increasingly leveraging c [redacted]</li><li>High-value work, such as d [redacted] is likely to be the new focus area for lenders and servicers</li></ul>
<b>Focus on [redacted]</b>	<ul style="list-style-type: none"><li>Owing to the high volume of f [redacted] as a result of the subprime crisis, [redacted] are likely to remain the near-term focal points for lenders and servicers</li><li>Various measures continue to be taken to handle the spike i [redacted] These include tr [redacted]</li><li>The focus is expected to shift back to [redacted] in the medium-long term</li></ul>

Source: Everest Group (2012)

# Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or provide complementary content that may be of interest.

1. **Global GIC Landscape and Trends: Focus Geography – Poland** ([EGR-2012-2-R-0747](#)); 2012. This report provides an in-depth analysis of the global offshore GIC landscape and insights into key trends of the last 30 months (2009-2011). The report also provides a deep-dive into the GIC landscape in six key industry verticals and a focus section on Poland
2. **BFS BPO Annual Report 2012** ([EGR-2012-11-R-0710a](#)); 2012. This report highlights key trends in BPO markets, the drivers and challenges for greater BPO adoption, service provider profiles and strategies for growth and profits, and the unique issues that confront the BFS BPO industry today
3. **Outsourcing and Offshoring Trends in Pharmaceuticals** ([EGR-2011-2-R-0600](#)); 2011. This report provides an in-depth analysis of outsourcing and offshoring in the pharma industry, with focus on outsourcing transactions in the industry, buyer adoption of outsourcing, and service provider landscape

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