eBook

Mortgage lenders cautious about short-term investing but, see tech as Key to scale when the market turns.

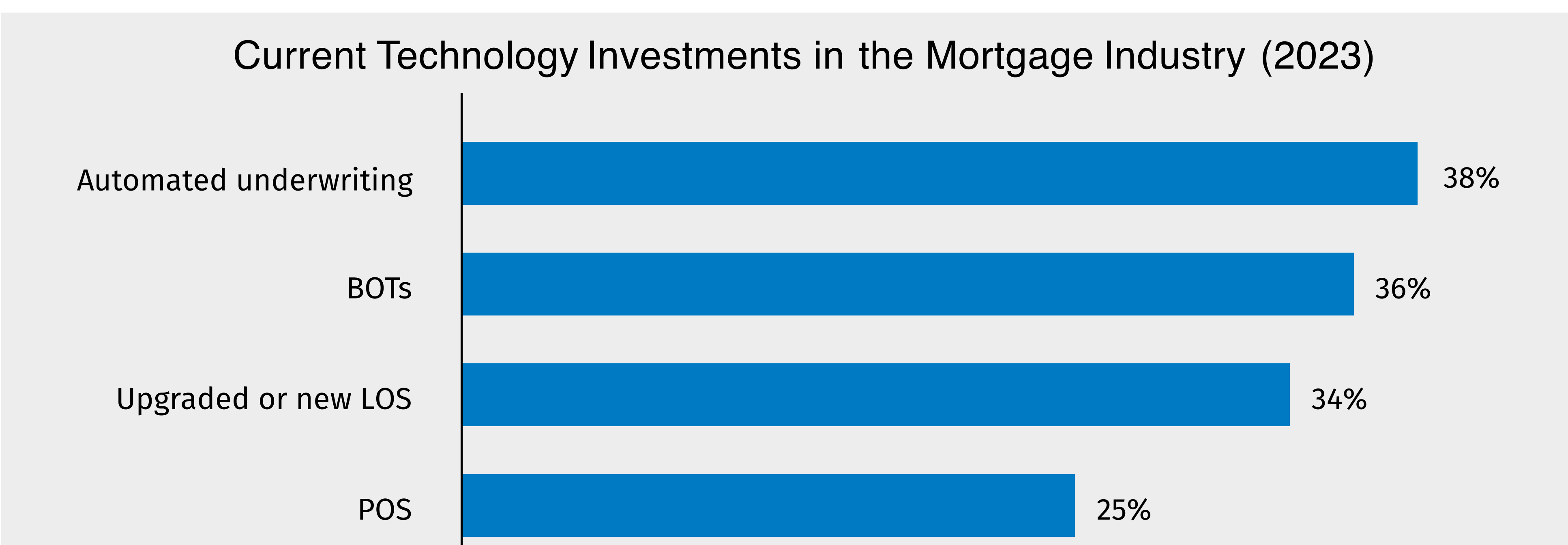
Wolters Kluwer

In our latest mortgage industry survey, Wolters Kluwer asked 110 mortgage and financial executives what effects the downturn in the mortgage market is having on their companies' operations, staffing, and investments in digital transformation. It also explored how these companies intend to scale once the cycle returns.

In Part I of this two-part blog series, we'll look at what mortgage lenders have to say about their current investment in technology (or lack thereof) in 2023 in light of the market downturn, and what their staffing plans are for this year.

Digital closings continue to be an investment priority in 2023.

When asked what kind of technology their companies are currently investing, more than two-thirds (68%) – a clear majority – said eClosing, eNote, and/or eVault solutions. This is followed by automated underwriting at 38%, BOTs at 36%, upgraded or new LOS at 34%, and POS at 25%.



68%

of mortgage companies are currently investing in eClosing, eNote, and/or eVault solutions.

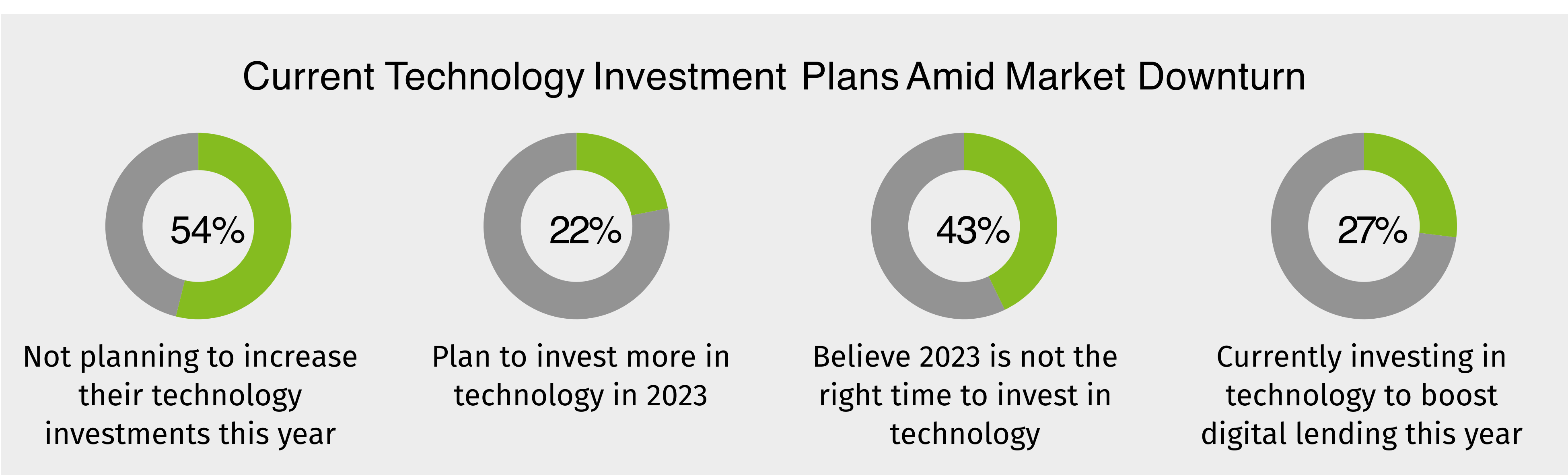
Survey of mortgage industry executives reveals effects of market downturn on operations, staffing, and digital transformation investment.

A majority of lenders won't increase technology investment for 2023 unless they can see strong ROI.

Just over half of respondents (54%) say they are not planning any increases in technology this year. Only 22% say they plan to invest more in 2023. Almost half of respondents (43%) say 2023 is not the right time to invest in technology, with only 27% saying their company should be currently investing in technology to boost digital lending this year.

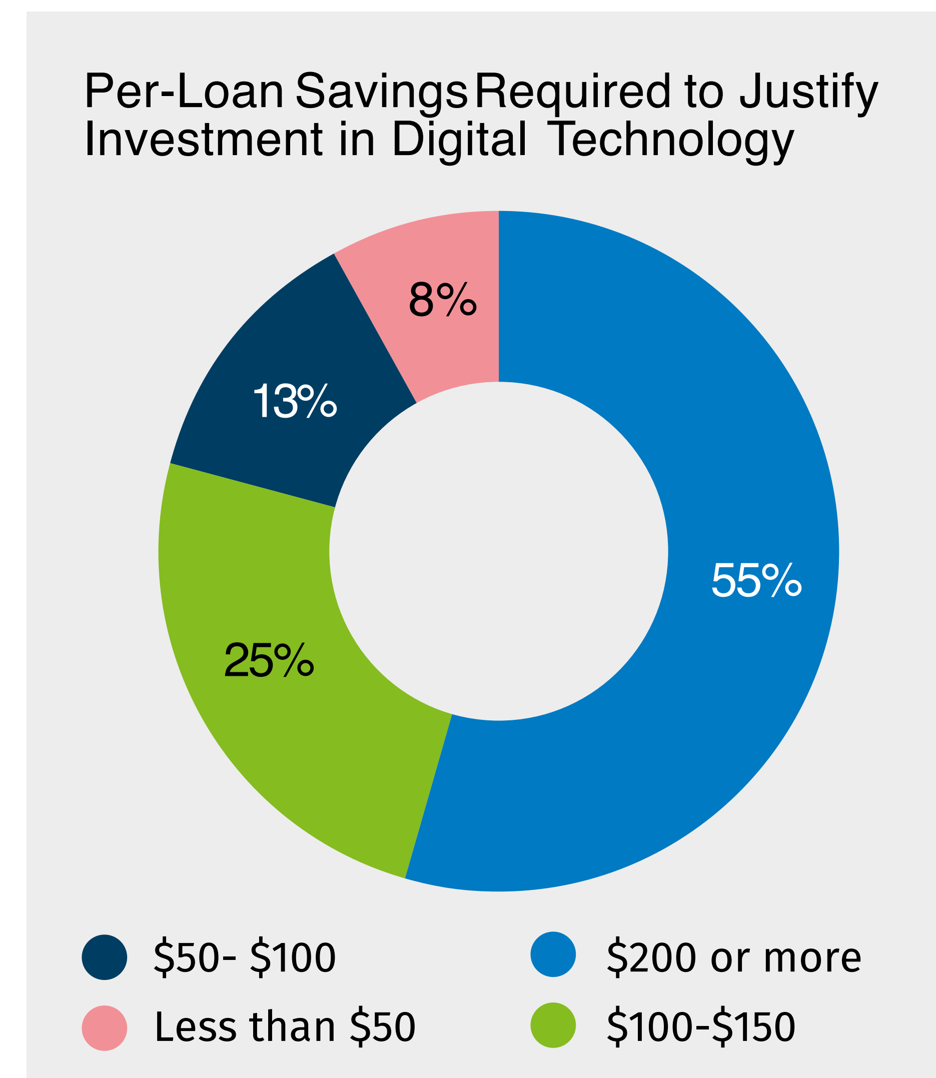
However, 80% of respondents say that despite the current economic situation, they would either absolutely (55%) or possibly (25%) recommend additional investments this year if they were convinced it would deliver with positive ROI. Only 13% say they wouldn't invest regardless of ROI.

What per-loan-cost savings would be needed to justify additional investment in digital technology this year? More than half (55%) say they'd need to see per loan savings of $200 or more. A quarter of respondents (25%) say savings of $100-$150, 13%; $50-$100, and 8%; less than $50 per loan.



80%

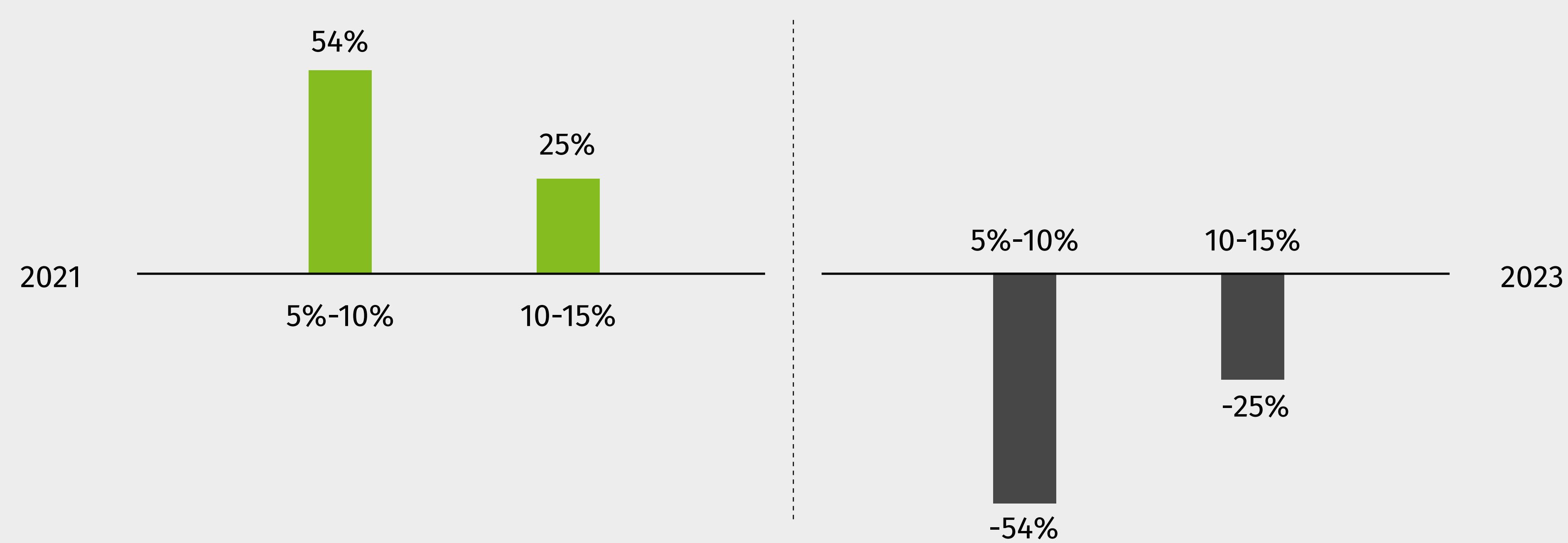
of respondents said they would recommend additional investments this year if they were convinced it would deliver positive ROI.



Not surprisingly, a majority of lenders staffed up to handle loan volume increases, and then reduced staff by the same amount in response to the downturn.

Almost of all the respondents (90%) say their company increased staff to handle the lending boom in 2021, with only 9% their company didn't. More than half (54%) of the companies increased staff by 5% to 10%, and a quarter of companies increased their staff by 10% to 15%. Staff reductions in 2023 mirrored the ramp up in 2021 with more than 90% of respondents saying they've reduced staff this year and only 8% saying they have not yet reduced staff this year. The percentage decreases in 2023 also mirrored the percentage increases from 2021 with 54% reducing staff by 5% to 10%, and 25% of respondents reducing staff by 10% to 15%. Three-quarters of respondents (75%) say they are unsure if additional staff reductions will occur in 2023.

Changesin Staffing Levels in Response to Lending Boom in 2021 and Staff Reductions in 2023



90%

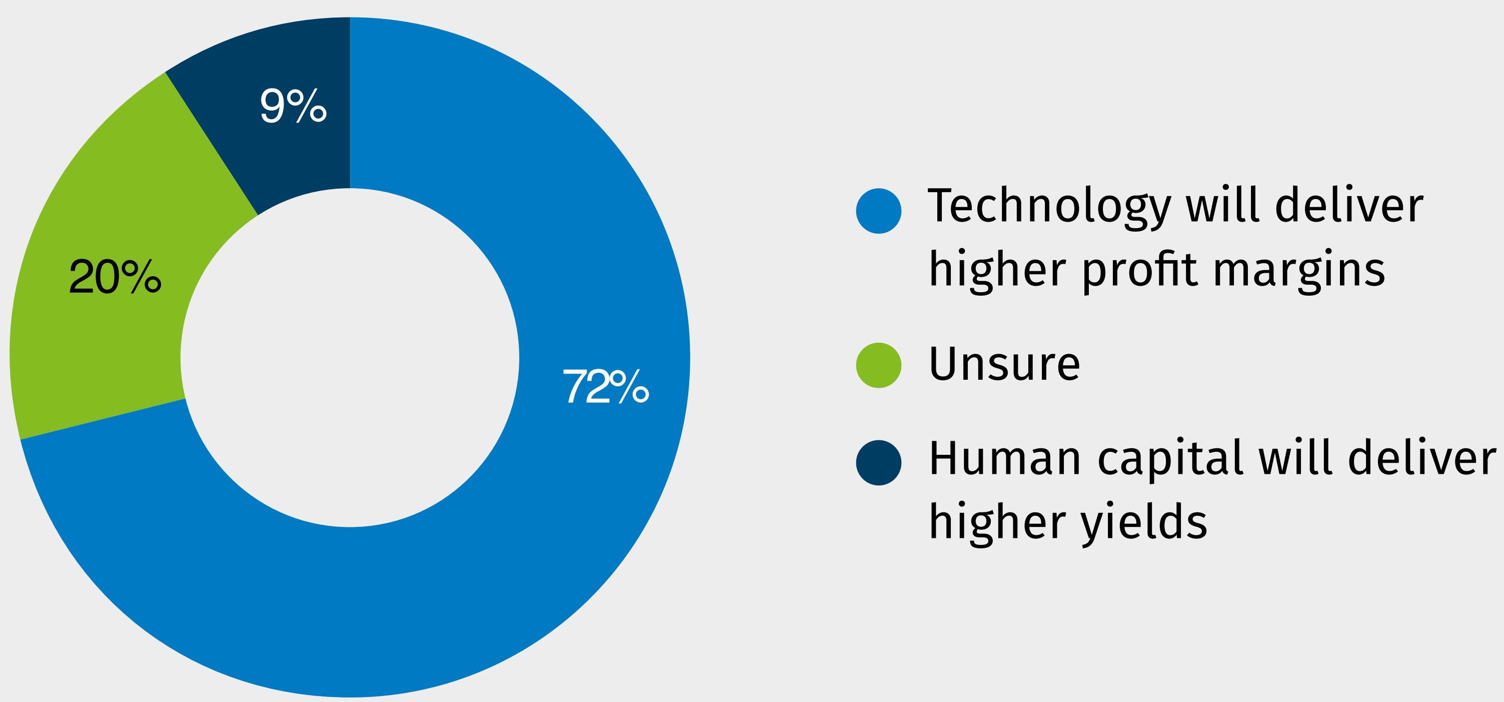
of all the respondents say their company increased staff to handle the lending boom in 2021.

A majority of lenders believe using technology yields higher operational gains as opposed to using human capital.

When asked to compare operational profit levels using human capital management versus using digital lending technologies, 72% say technology will deliver higher profit margins. Twenty percent say they are unsure, and 9% say human capital will deliver higher yields.

In Part II of this blog series, we'll explore what these companies are planning for future investments in technology and staffing.

Comparison of Operational Profit Levels with Human Capital Management and Digital Lending Technologies



For more information about Wolters Kluwer digital solutions, schedule time with one of our industry experts today.

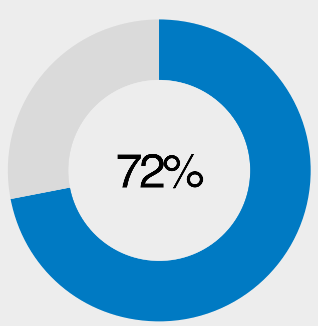
Mortgage lenders believe investment in technology will be key to being able to scale when the market turns

Part I of this two-part survey explored what mortgage lenders had to say about their current investment in technology for 2023 in light of market conditions as well as their staffing plans for the remainder of this year. In Part II, we'll look at their anticipated plans for technology investment in order to be able to respond and scale appropriately when the market turns.

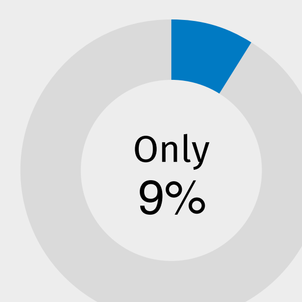
Most lenders see higher ROI using technology versus human capital

According to the survey, a majority of respondents (72%) believe using technology yields higher operational gains as opposed to using human capital. Only 9% say human capital will deliver higher yields. When asked what they believe are the most important benefits commonly seen from investing in digital technologies, 65% cite speed and efficiency as the most important benefits.

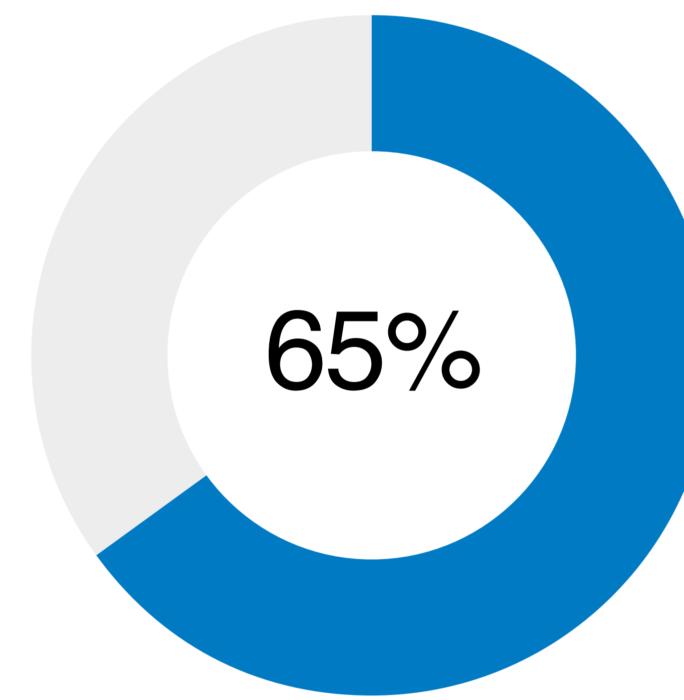
Survey findings on technology vs. human capital:



of respondents believe using technology yields higher operational gains.



of respondents say human capital will deliver higher yields.



of respondents cite speed and efficiency as the most important benefits.

Lenders say technology investment is key to being able to respond and scale up when the market returns.

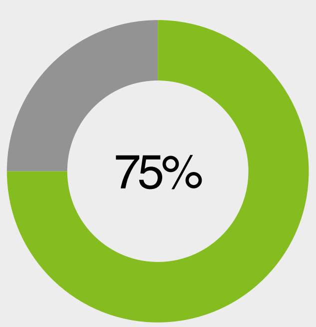
As volume returns, a clear majority (79%) say they will rely more on technology to scale operations with some staffing increases expected. Interestingly, 75% of respondents say their company is currently using AI or machine learning, with 16% saying they aren't yet using it, but are reviewing options to do so. Clearly, the group is not entirely convinced, however, that their current technology is up to future challenges. Less than 10% say they believe their company's current technology resources will allow them to properly scale up or down, depending on where the economy is headed. Just over half (54%) say they could scale up using their current technology.

When anticipating their ability to be in a leading market position when the economy returns to growth mode, less than 9% say they are confident they have the proper technological resources in place to be competitive. Seventy-five percent say they'll need to invest more in technology to be in a position as a market leader when the market returns to growth mode.

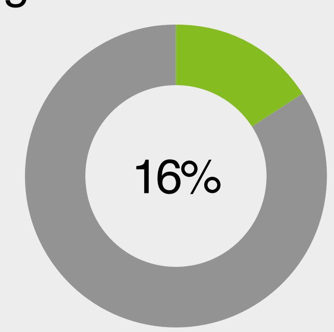
79%

of respondents say they will rely more on technology to scale operations as volume returns.

Current usage of AI and machine learning

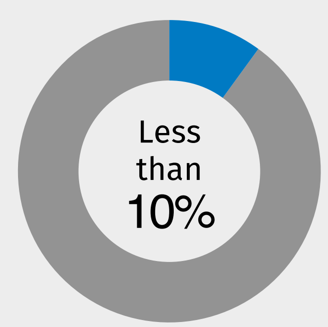


of respondents say their company is currently using AI or machine learning.

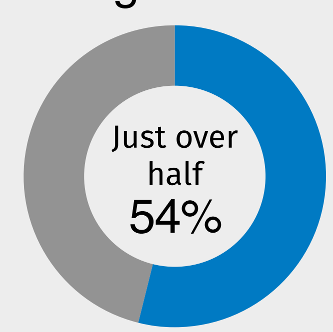


are not yet using it but are reviewing options to do so.

Confidence in current technology resources for scaling

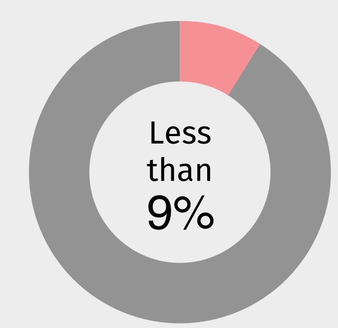


confident in current technology's scalability with economic changes.

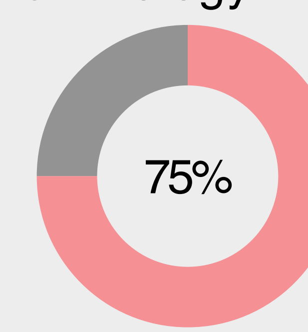


believe they could scale up using their current technology.

Anticipating leading market position and investment in technology



confident in having the necessary technology for a leading market position in growth mode.



plan to invest in technology to become market leaders in the growth mode.

A majority of lenders anticipate investing specifically in digital closing technologies to be ready when the market turns and to ensure scalability options.

When asked what type of technology they need to invest more resources in to be competitive in a growth cycle, 69% say they need to invest in digital closing, eVault, e-signature, and remote online notary (RON). Almost half (46%) say they need to invest in new document generation solutions and post-closing document management (47%). Just over a quarter (26%) say they need to invest in technology to automate document filing.

Likewise, 65% say they plan to use eClosing solutions, eNotes, and eVaults to be able to scale in the future. Forty-two percent plan to invest in upgraded or new LOSs, and 35% plan to invest in automated underwriting. Just under a third (30%) will invest in Bots.

About Wolters Kluwer

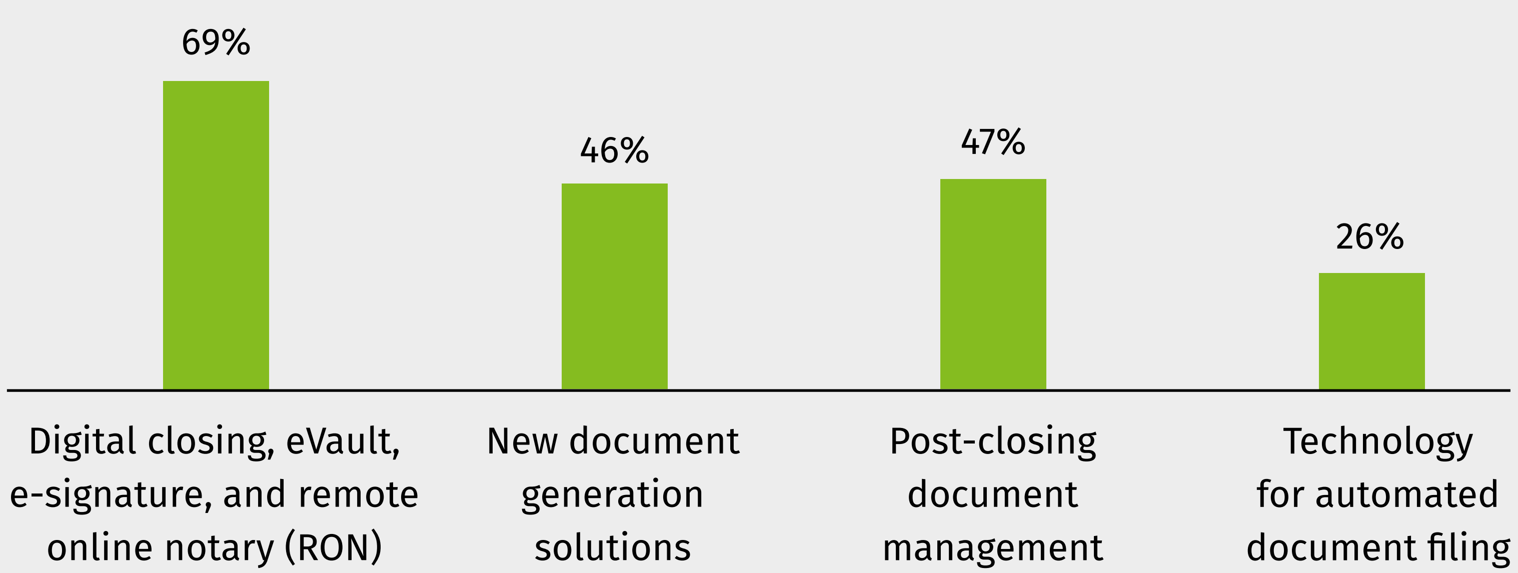
Wolters Kluwer (EURONEXT: WKL) is a global leader in information, software, and services for professionals in healthcare, tax and accounting, financial and corporate compliance, legal and regulatory, and corporate performance and ESG. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

Wolters Kluwer reported 2022 annual revenues of €5.5 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 20,000 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

For more information, visit www.wolterskluwer.com

Follow us on LinkedIn, Twitter, Facebook, and YouTube.

Technology investments to be competitive in a growth cycle:



Planned technology usage for future scaling