



# From outsourcing to innovation: partner to revolutionize mortgage servicing

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HFS has already taken a deep dive into the mortgage origination business and declared that [“disruption, not duct tape, is the key for mortgage transformation.”](#) In response, we’re finally seeing lenders embrace innovation in their origination businesses, adopting the latest and greatest emerging technologies. But, unfortunately for lenders, it’s a similar story for mortgage servicers—they have thus far struggled to fully embrace the digital era. To understand why, we connected with Sourcepoint, a leading business process outsourcing (BPO) provider specializing in mortgage services, and separately spoke to one of its clients, a mortgage servicing leader. We discussed the challenges both companies face, the relationship between provider and enterprise, and how they are revolutionizing mortgage servicing together.

### **Mortgage servicing relies heavily on manual processes, and increasing pressure on margins makes funding innovation a challenge**

Mortgage servicing is undeniably manually intensive. Lenders have historically had to nurture a sizable workforce with state-specific licensure requirements to manage loan administration, operate call centers, handle customer queries, and complete the back-office tasks required to ensure it meets all customer demands and manages the mortgage correctly through

its entire lifecycle. Not only this, but thanks to the strict regulations in the mortgage industry, lenders must employ teams to ensure their call center associates are compliant – asking for all the correct information and handling all personal data securely. These regulations and requirements mean that mortgage servicing is a high-cost, manually intensive process, but the increasingly small margins mean lenders struggle to find the capital needed to invest in innovation—often hampering efforts to streamline processes.

One of Sourcepoint’s clients agreed that cost pressures meant funding investments were almost impossible, explaining:

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*If you’re a good servicing company, you strive to make a dollar per loan per month. You pick up a penny; it’s a 1% game—there’s not dollars waiting around.*

**– Chief Global Strategist from a leading mortgage servicing provider**

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## Growing cost pressures led this mortgage servicer to explore outsourcing; that's where its relationship with Sourcepoint began

Sourcepoint's client, a leading mortgage servicer based in the US, explained that customer experience (CX) is at the core of everything it does. Having a CX focus originally meant that while the client was exploring cost-saving opportunities, it was skeptical about taking the plunge and fully embracing outsourcing because of a perceived risk to its CX. However, when it started working with Sourcepoint around five years ago, the provider successfully incrementally proved that outsourcing, both offshore and onshore, can drive meaningful cost savings while enhancing CX.

It wasn't an easy sell. There were countless meetings to understand Sourcepoint and assess the potential match in capabilities, business philosophy, and culture. The client spent time in India with Sourcepoint's leadership and associates to watch the teams in action. The client also delved into Sourcepoint's offerings, many of which are underpinned by change agents such as robotic process automation (RPA), artificial intelligence (AI), machine learning (ML), and analytics. Eventually, the client began outsourcing a selection of back-office tasks to Sourcepoint; the client explained:

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*When we started with Sourcepoint, we were trying to lower our cost to service loans. We really were just trying to pick pennies up in front of a steam roller. We initially tapped into Sourcepoint from a people standpoint to do the lower-function jobs.*

**– Chief Global Strategist from a leading mortgage servicing provider**

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By partnering to outsource back-office tasks, Sourcepoint nurtured a trusting relationship with its client and became a critical partner for its mortgage servicing business. As a result, the scope of services expanded over time. The client explained that it based the keys to relationship expansion on six factors:

1. A shared a vision for servicing excellence;
2. A respect for the Sourcepoint culture and the strong value it places on employees;
3. An open-minded and innovative culture;
4. An experienced team that never overstates capabilities;
5. A willingness to learn; and
6. The results—Sourcepoint delivers a critical mix of quality plus year-on-year bottom-line results.

Sourcepoint's leaders told us that their attitude toward transformation also played a key role in developing the relationship further:

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*Change is just a synonym for transformation. That is exactly what value we are trying to deliver to our clients.*

**— Steven Schachter, EVP,  
Market Leader and Head of Mortgage**

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In their relationship today, half a decade later, Sourcepoint provides several hundred full-time equivalents (FTEs) in the US and India and a range of services, including call monitoring for regulatory compliance. It recently invested in a joint call center in North America, providing the desired cost-savings and allowing the mortgage servicer to easily scale its operations to match ever-changing consumer demands.

But the journey didn't stop there. Once the client achieved its cost-saving goals, it began asking Sourcepoint what would come next.

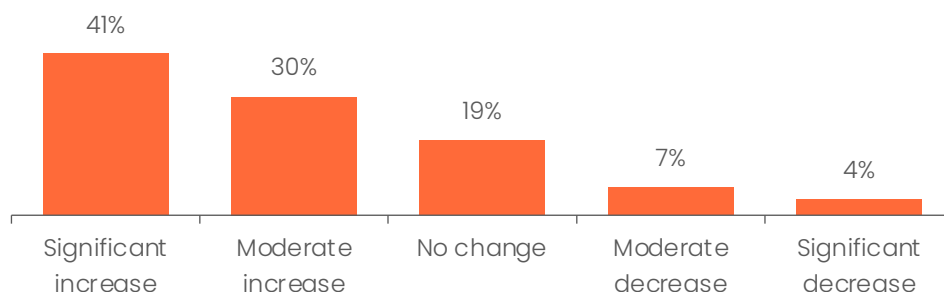
### **Once you achieve cost savings, pivot toward innovation**

For too long, mortgage providers of all shapes and sizes had simply papered over the cracks, addressing inefficiencies in their business when their outdated systems meant a complete overhaul was required with innovative digital technologies embedded at the core. Some of these inefficiencies were on clear show during the pandemic as interest rates plummeted, driving refinance, forbearance, and collections requirements—all people-intensive needs. Our fresh-from-the-field Pulse data in Exhibit 1 shows that lenders are keen to embrace emerging technologies, with a whopping 41% planning significant increases in utilization over the next 24 months.

#### **Exhibit 1**

### **Lenders have big plans for post-pandemic emerging-tech adoption**

**How do you expect the adoption of emerging technologies (AI, automation, blockchain, etc.) to change across mortgage and lending in the next 24 months?**



Sample: 54 respondents from banking and financial services enterprises  
Source: HFS OneOffice Pulse Study, H1 2021

This mortgage servicer recognized the need to leverage emerging technologies and explained that outsourcing was not its end goal. Instead, outsourcing was how it hoped to generate the cost savings it needed to fund its innovation investments. In the last two years, the servicer had been working with Sourcepoint to experiment with a range of digital technologies, including these two recent examples:

- **Analytics and remote working:** Like in many other businesses, the pandemic forced the mortgage servicer's call center staff to shift to a remote working model, presenting a new realm of regulatory challenges. To tackle this, it is working with Sourcepoint to test a speech analytics solution that allows management to constantly monitor staff to ensure they meet regulatory requirements.

- **RPA for quality control (QC):** Sourcepoint leverages robotic process automation to support internal QC requirements. Its ability to tap into the multiple systems required to conduct QC helps drive accuracy and increase speed. Based on this success, the client indicates they will continue to consider and potentially greenlight additional RPA use cases.

While cost savings are a definite benefit of innovation in mortgage servicing, this particular client hopes to drive its core mission even further: deliver exceptional CX. For example, by leveraging speech analytics to monitor call handlers, it can also monitor calls for unsatisfied customers and reach out later to remedy any unresolved situations.

## **— The Bottom Line: Innovation is on the horizon as mortgage servicers revolutionize their business— and outsourcing can be a gateway**

Sourcepoint's client aptly described the mortgage servicing business as picking up pennies in front of a steam roller. It's heavily reliant on manually intensive processes, which makes it the perfect candidate for outsourcing. However, outsourcing must not be the goal; instead, it should be the gateway to innovation and enhanced customer experience in the mortgage servicing business. It's essential for mortgage servicers to find a trusted partner, like Sourcepoint, that can provide crucial cost savings through outsourcing and collaborate to drive innovation when the time is right.

## HFS Research authors



### **Sam Duncan | Associate Director, Research**

Sam Duncan is an Associate Director, Research at HFS. He developed a fascination with how the evolution of technology accelerated globalization while completing a degree in economics at Bournemouth University. At HFS he gets excited by blockchain and other cutting-edge technologies as they impact business. He maintains a focus on banking and financial services.



### **Elena Christopher | Senior Vice President, Research**

Elena Christopher is Senior Vice President—Research at HFS. Elena leads HFS' coverage of the Triple-A Trifecta change agents—AI, automation, and smart analytics. She is also responsible for driving the industry-specific research agenda for HFS, digging into the major trends impacting each in-scope industry and the implications for business process and IT services. Her industry coverage specialization is Banking and Financial Services. Elena brings more than 25 years of IT and business process services expertise to HFS.



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HFS is a unique analyst organization that combines deep visionary expertise with rapid demand side analysis of the Global 2000. Its outlook for the future is admired across the global technology and business operations industries. Its analysts are respected for their no-nonsense insights based on demand side data and engagements with industry practitioners.

HFS Research introduced the world to terms such as "RPA" (Robotic Process Automation) in 2012 and more recently, the HFS OneOffice™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models and Smart Analytics.

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