



Industry Technology Trends Panel

Future Sources of Origination Cost Savings

Craig Focardi
Senior Analyst, TowerGroup

March 10, 2003

MBAA National Technology in Mortgage Banking Conference

Overview

◆ Retail Lending

- ✓ Underwriting – AUS and AVM

- ✓ Online Lending

- ✓ Processing Efficiency

◆ Wholesale Lending

- ✓ B2B Portals

◆ Mortgage Closing and Funding

- ✓ Electronic Document Management

Loan Underwriting Efficiency Will Continue

Automated Underwriting Systems (AUS)

- ◆ **New Loan Products (Alt.A)**
- ◆ **New Lenders**
- ◆ **Increased Penetration**
- ◆ **Large Labor Cost Savings**

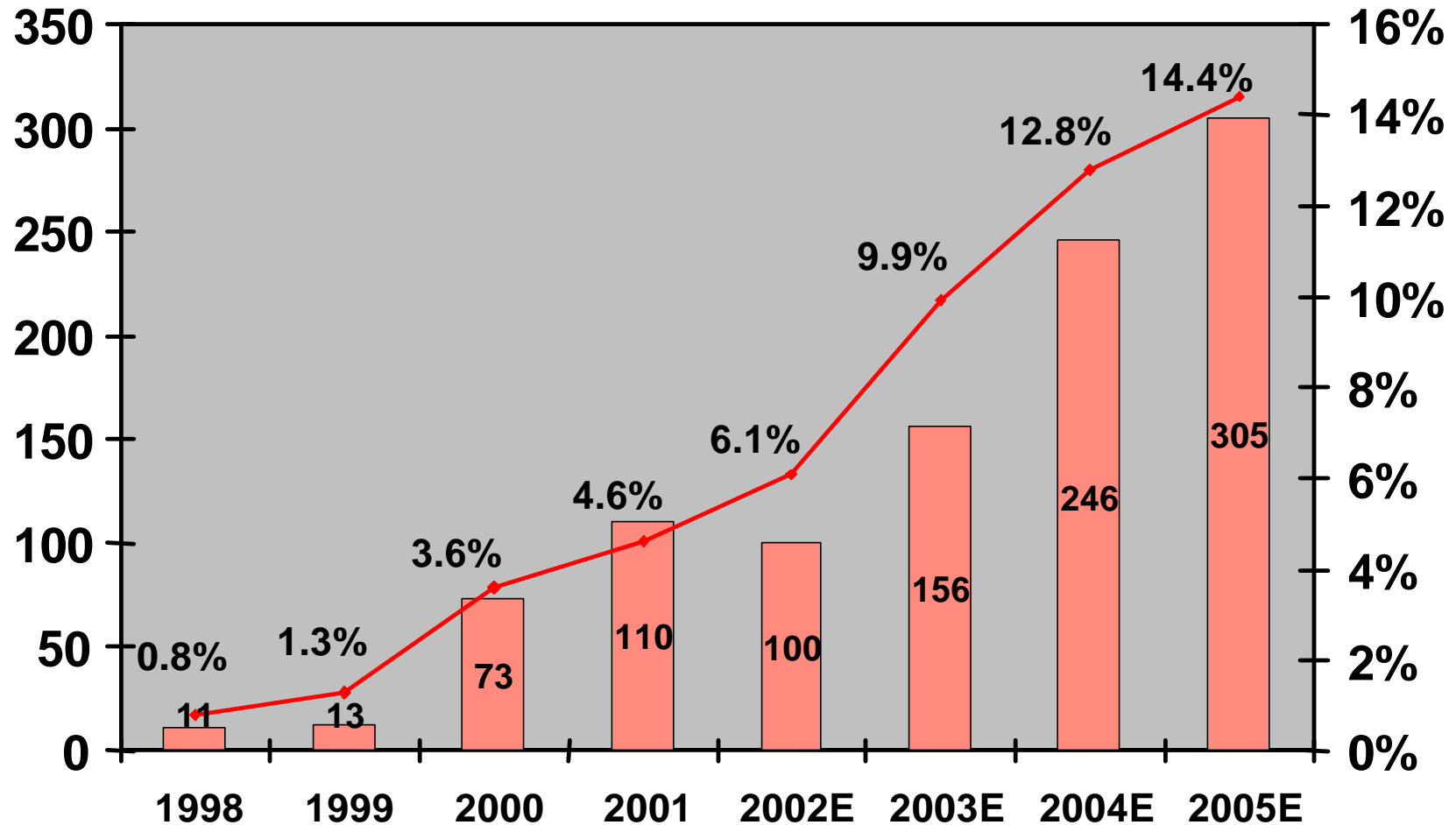
Automated Property Valuations Using AVMs

- ◆ **Lowest Risk Borrowers, Loans and Markets**
- ◆ **Lender Labor Cost Savings Are Indirect**
- ◆ **Slow, Steady Growth**

Retail Origination Costs Will Decline As B2C Online Lending Accelerates . . .

Online Originations
(\$US Billions)

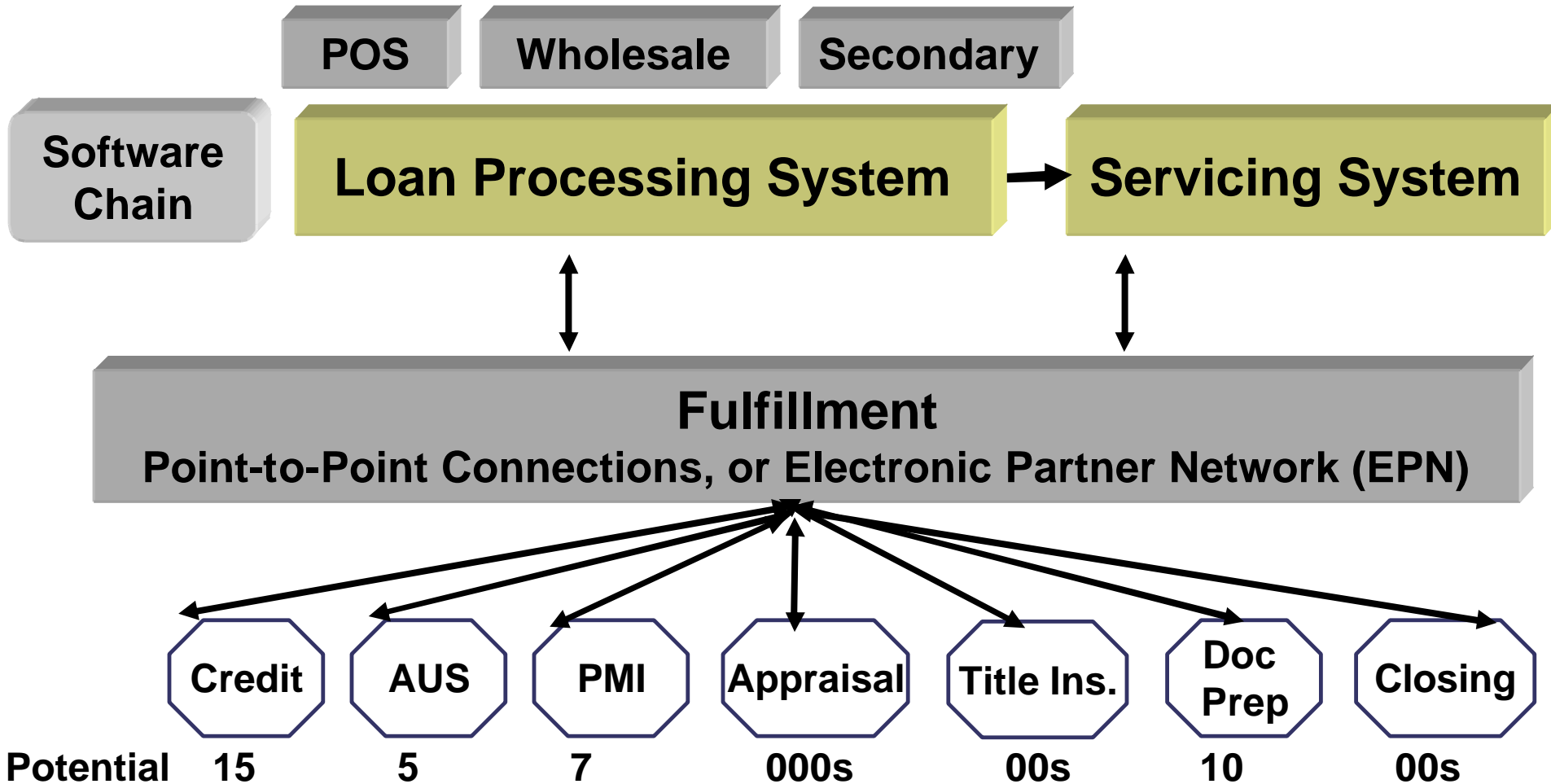
Online % of
Origination



Source: TowerGroup

Copyright © 2003 The Tower Group, Inc., Needham, MA USA
May not be reproduced by any means without express permission. All rights reserved.

The LOS Remains Centric, but Upgrades Required for Further Cost Reductions

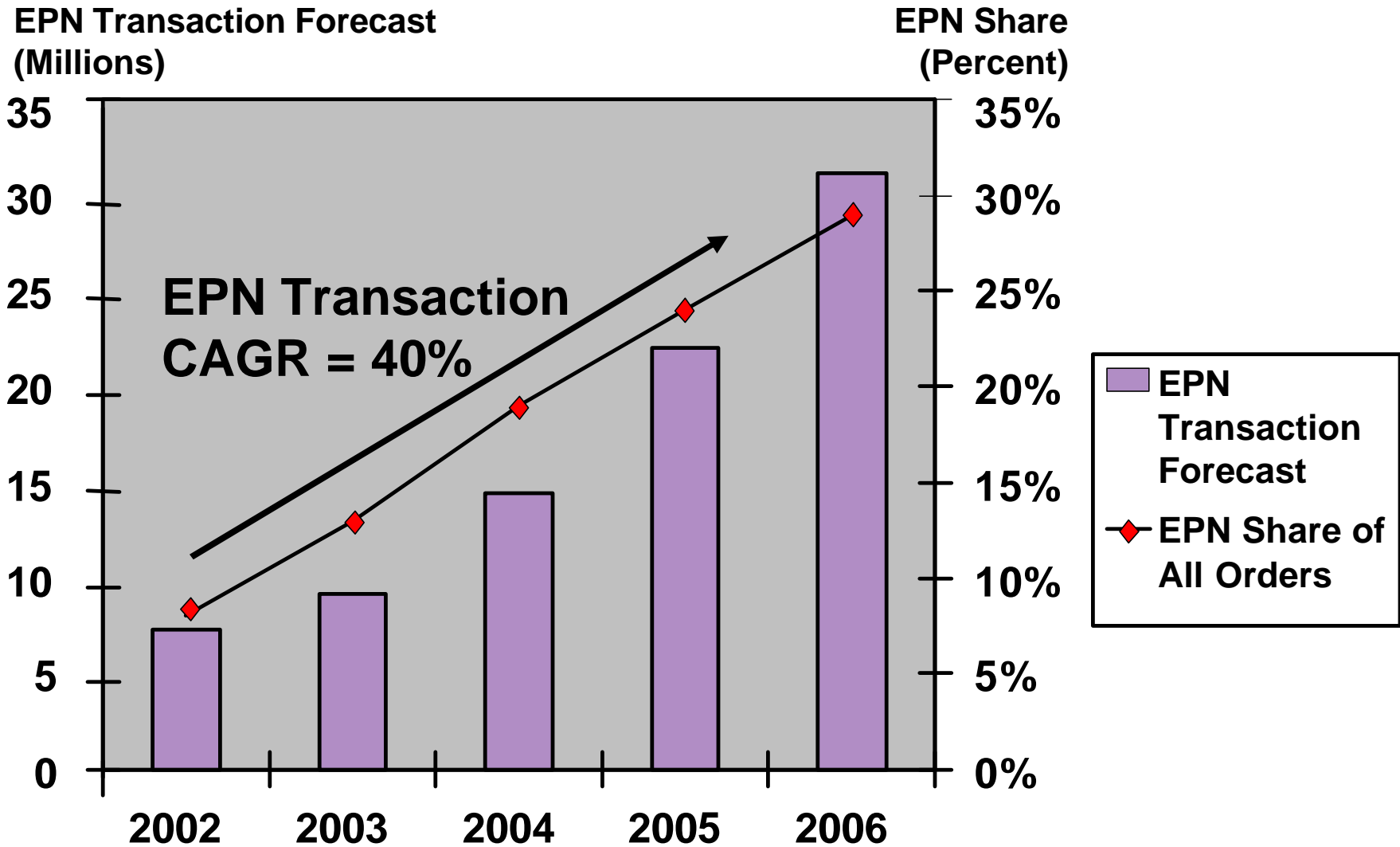


Interfaces

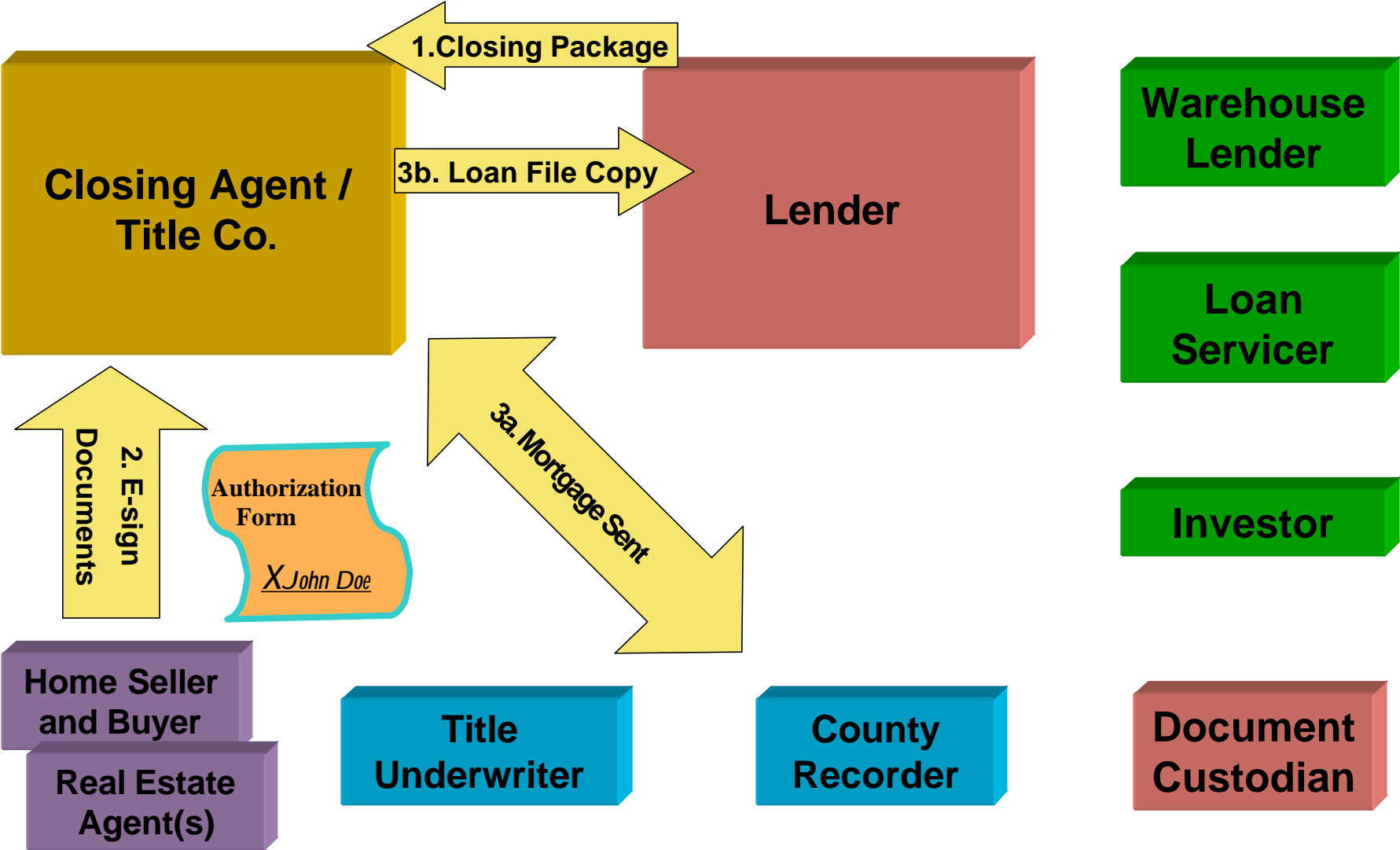
Source: TowerGroup

Copyright © 2003 The Tower Group, Inc., Needham, MA USA
May not be reproduced by any means without express permission. All rights reserved.

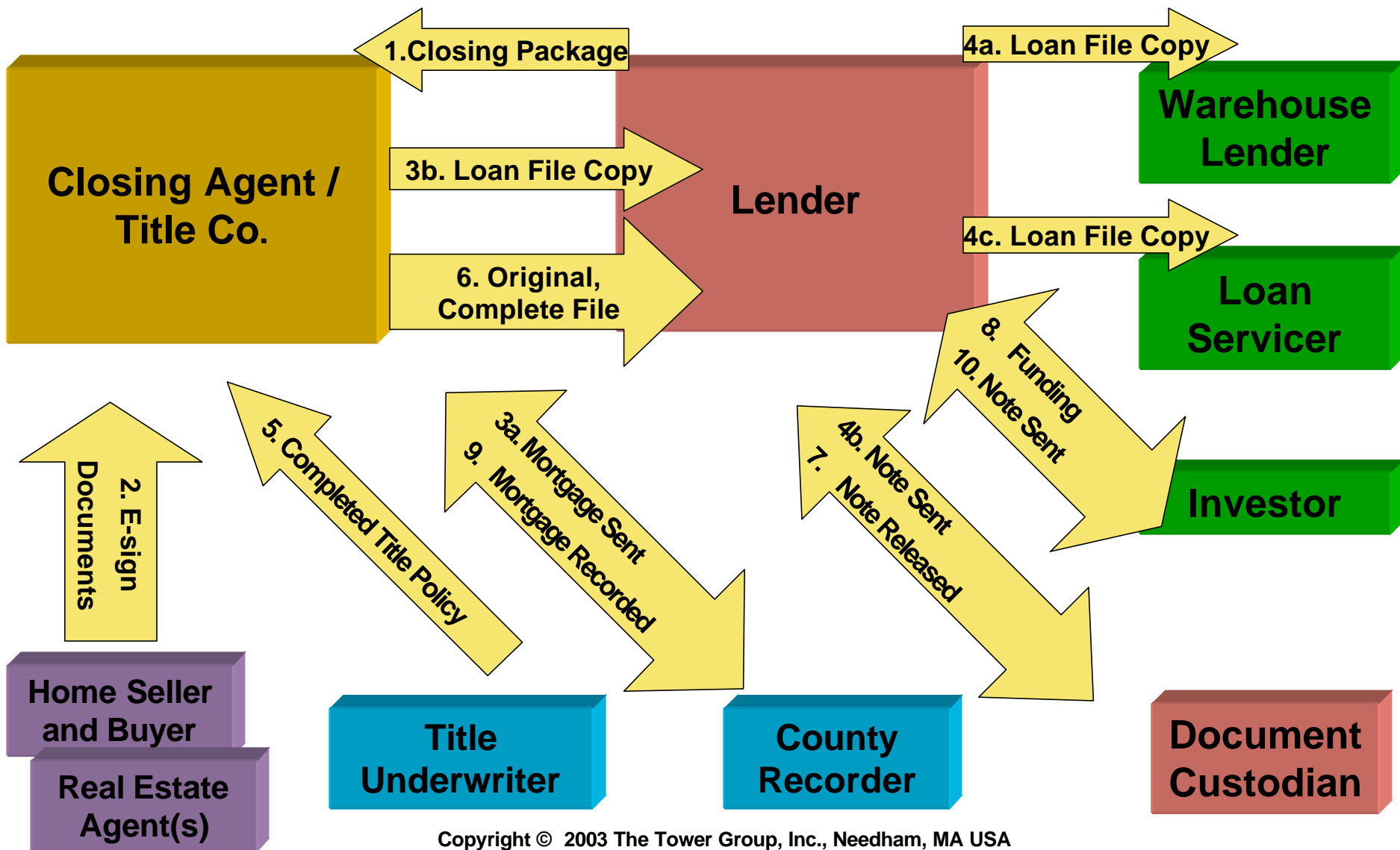
Automating the Back Office – Networking Third Party Service Providers



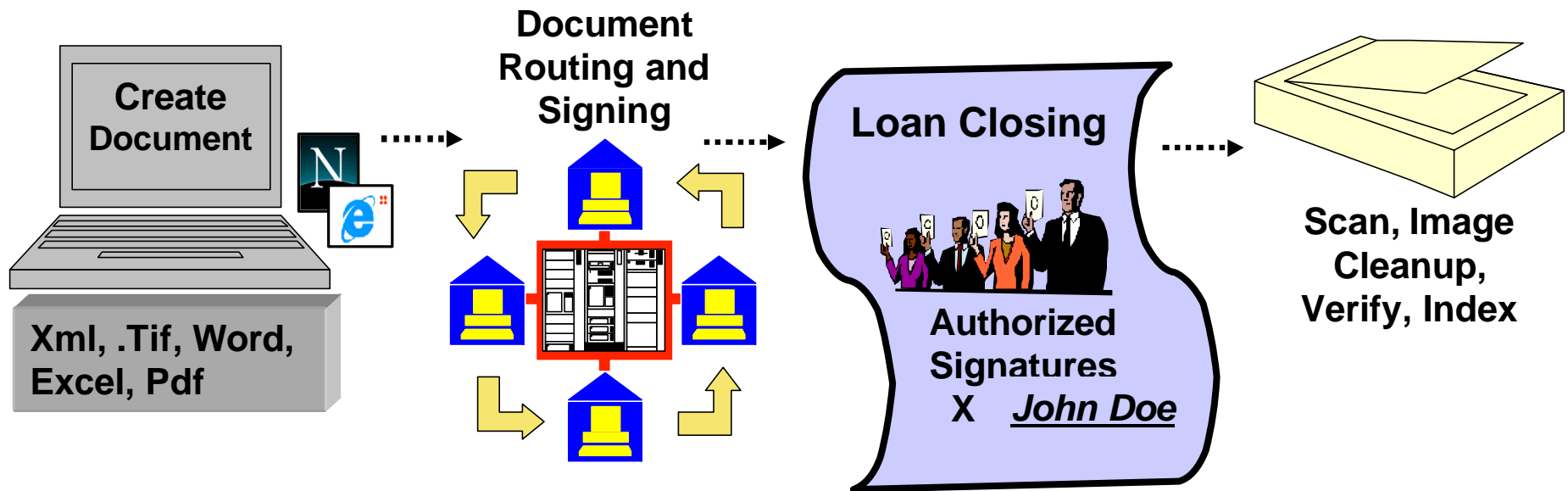
A Typical Mortgage Closing Takes 45 Days . . .



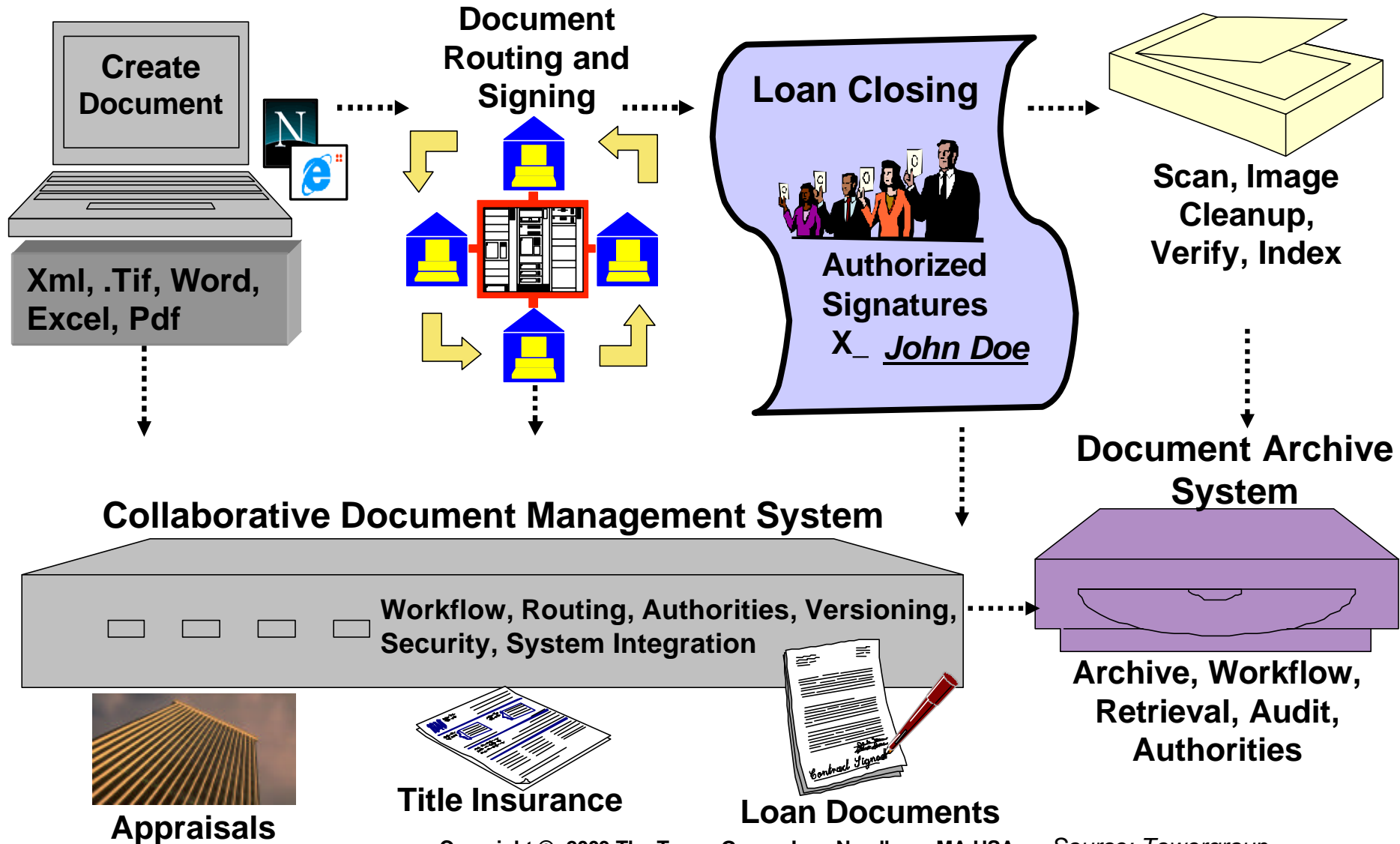
... Require \$100 in Postage and Uses Two Trees



Electronic Document Distribution Processes Will Cut Costs



... And Require Document Imaging, Management and Archiving Systems



Summary: Where the Savings Will Come From

◆ Retail Lending

- ✓ **The AUS, and the Broader Decisioning Platform, Will Continue to Lower Costs**
- ✓ **Online lending cost savings relatively untapped**
- ✓ **Vendor integration and automated fulfillment**

◆ Wholesale Lending

- ✓ **Faster adoption than B2C, due to repeat transactions**
- ✓ **Incentive to the mortgage broker**

◆ Mortgage Closing and Funding

- ✓ **Harder, but as beneficial**