Optimizing new levels of efficiency in the housing finance market.
Most organizations in the housing finance market entered last year with a clear vision for the role that emerging technology would play in their digital transformation. By year’s end, however, the realities of the COVID-19 pandemic and its economic impact have significantly tested that vision. Organizations currently face increasing pressure to do more with less, and there’s little sign of letting up as the volatility and uncertainty of these times continue.

As the volume of defaults and foreclosures rise and the housing finance industry shifts, speed is essential for the banking ecosystem. How quickly and efficiently can we process loans and foreclosures? How nimbly can we pivot our business model to meet market opportunities and threats? How agile can we be in creating new offerings for our customers? These are the questions we are hearing from clients, and we hope this viewpoint delivers valuable insights to help our clients address these questions and successfully move forward.
Now, with more urgency than ever, financial services companies—many of them squeezed between increased workloads and stagnant or shrinking resources—must find ways to optimize efficiency and performance across the business. As highlighted in CGI's 2020 Client Global Insights report, 73% of capital markets executives stated that their top digital transformation challenges were technology, legacy and agility constraints. Not surprisingly, the report also indicated the top IT priority in this industry was simplifying the technology landscape and adopting new delivery models. We’ll explore three key areas that can help housing finance companies navigate the uncertainty of a volatile market and leverage opportunities to thrive:

1. Choose the right cloud mix for greater efficiency
2. Rebalance your workforce to better prepare for uncertainties
3. Transform your operational model to move with greater agility
The need to work smarter, better and faster

The COVID-19 pandemic brought many operational issues to the fore. Given the market’s volatility in the midst of the pandemic, housing finance organizations face unrelenting pressure due to changing customer needs, added complexity of new legislation, and tightening of lenders’ budgets. There is immense pressure to boost productivity while maximizing cost efficiencies—compounded by the impact of layoffs, salary freezes and the increase of forbearance plans and defaults.

Operational inefficiencies and a dearth of digital IT talent have left housing finance organizations struggling to meet their business priorities. Whether it’s the need to reallocate IT resources, more efficiently assess the quality of loans or work with lenders to digitize processes and better validate borrower information, many organizations are overwhelmed. Without change, they have limited capacity to improve their agility or meet new market opportunities and threats.

Because of these challenges, forward-looking organizations are proactively looking for practical solutions to redesign policies, procedures, workflows and reporting as well as efficiently manage the increased risks of a further fragmented workforce. As the industry moves forward, housing finance organizations that drive innovation and adapt themselves will be best positioned to capitalize on new opportunities for reinvention and transformation, which is especially critical in these volatile and uncertain times.
Transformation as a business necessity

The market has come to a junction where accelerating transformation is no longer optional but has become a mode of business survival. Leaders must shift their organizational cultures and embrace a new way of working—both internally and with their partners. They must also embrace new ways of prioritizing business objectives and deciding which components of digital transformation can best help optimize efficiencies and meet market demands. The transformations each organization undertakes will vary according to factors such as business objectives, current digital maturity, existing skillsets and culture and future vision. While there is no one size fits all solution, we’ll explore three key areas below, which are foundational components for quickly optimizing the efficiency through digital transformation.
Choose the right cloud mix for greater efficiency

With vast amounts of data coming from disparate systems across the housing finance ecosystem, the cloud can drive greater business performance and speed in delivering applications to customers. By moving services to the cloud, organizations can quickly transform legacy applications to take full advantage of the scalability and distributed features of the cloud. For example, this can allow for faster back-office efficiencies in the mortgage approval and purchase processes to help optimize resources. This isn’t exactly breaking news. Most organizations know why moving to the cloud makes sense – the challenge comes from figuring out which applications to move, how and when to move, and how to do so in the most efficient/least disruptive way possible.
To get the most out of a cloud migration, your organization needs to decide on the right cloud mix. A strategic IT partner can help you assess and determine which legacy applications to keep, discard or change based on what operationally makes the most sense. Moving applications to the cloud can often require the "refactoring" of the application such as the code and/or architectural changes to the application, to enable it to run smoothly in a distributed environment.

A “factory” approach to refactoring applies a consistent, highly automated approach that has been adapted to address cloud migration initiatives. Applying an application migration factory approach, organizations need to account for factors such as developer complexity, maintenance requirements, operational cost, security vulnerabilities and time-to-solution. A streamlined process and the implementation of best practices can help refactor applications using program management approaches—enabling you to scale, modernize and execute on an end-to-end application transformation program. Organizations that take a hybrid and multi-cloud approach have more options for how they bring applications and solutions to market. This mix provides flexibility for managing massive volumes of data from lenders such as mortgage origination processes, borrower information, appraisal details and property inspections—allowing organizations to select the right combination to reduce costs and increase security.

What’s more, the right cloud mix can also bring agility and intelligence to your company’s data fabric with the right tools and strategy. Moving to the cloud can help your organization build and manage a true data fabric that integrates data across the entire organization. This allows you to, among other things, speed up IT modernization, increase business agility and drive more value from your data for new levels of efficiency that were not possible without the use of cloud technology.

Choose the right cloud mix for greater efficiency (cont.)

Key questions to ask when determining the right cloud mix

- Are there concerns with how long it will take for cloud adoption?
- Is there a need to rapidly migrate some of your portfolio to the cloud?
- How do you plan to blend experience and vision to minimize business risk and impact?
- How do you plan to identify which cloud model would best support your organization?
Rebalance your workforce to better prepare for uncertainties

The impact of the pandemic has made it very difficult to fully assess the adaptability required of an organization’s workforce to meet current and future business needs. One of the biggest challenges organizations face today is having access to the right talent at the right location for the right value. Many financial institutions have found that they do not have all the skills necessary to continue to meet customer and business demands successfully.
Rebalance your workforce to better prepare for uncertainties (cont.)

Organizations need a long-term approach for acquiring new skills through hiring and growing their talent base using training and cross-functional deployment. Without a holistic approach, the impact of any skills gaps makes it extremely challenging to effectively and flexibly respond to changes in a continually evolving market.

So how do you get your talent and skills right? Start by taking a broader view of talent within and outside of your organization. Many businesses have begun to think more critically about workforce-related business continuity plans. They are seeking answers to critical questions such as “How equipped is my organization’s internal talent to meet the strategic vision of the business while dealing with the fast-paced market realities? Are we able to adopt and adapt to change?” To identify gaps, you also need to understand the value and fit of outsourced talent.

As we rebound from the pandemic and your organization plans and prepares for a new normal by creating a balanced workforce, tapping into onshore resources to leverage the skills and IT knowledge your organization needs can be a key part of your sourcing strategy. Onshore managed services allow fluidity of your people, processes and business models—enabling your organization to respond and quickly adapt to effectively support housing partners with continuity and lower risk even as market conditions continually change.

In short, a balanced workforce strategy provides you with access to the skills you need today while also preparing you for the skills needed tomorrow, thus allowing you to seamlessly provide innovative mortgage financing solutions with flexibility and speed.

In order to achieve the right balance of risk mitigation and value, a comprehensive workforce strategy must include:

- Geographic balance of resource mix and skills supported by service providers
- Right in-house talent to pivot and reinvent
- Flexibility and resiliency in the business continuity process
- Required tools, processes and security policies for global remote workforce
- Governance model to support a multi-vendor, multi-location remote environment
Transform your operational model to move with greater agility

No matter how flexible an organization’s technology infrastructure or workforce may be, it needs a management team that can leverage that flexibility. Agile leaders build organizational strength by being able to pivot effectively and quickly as required, keeping their eyes on the current business while anticipating what’s ahead. To be clear, in this context agile extends beyond a development methodology: it is a comprehensive and strategic management approach, focusing on the people, process and technology aspects of organizational change.

Agility is required to respond, rebound and reinvent in the face of significant economic, market and business changes. It can help an organization pivot proactively and effectively so it can achieve new operational efficiencies and do more with less without compromising performance.

Done well, agile truly is transformational. We’ve heard clients describe gaining agile capabilities as almost having prescience, or at the very least hyper-responsiveness.

Today, customers expect a seamless experience at every touchpoint. This requires anticipating their needs and accelerating innovation preemptively—developing and delivering value-added services when, where and how customers want them. It is critical to keep evolving your products and services continuously, which requires agility, collaboration and innovation across the business.

Adopting a user-centric solution mentality with a strong focus on outcomes helps create more business agility:

- Willingness to pivot as we learn and discover new information to stay fit to purpose
- Desire to shorten feedback loops at all levels
- Always looking for the minimum viable product (MVP)
- Engaging stable cross-functional delivery factories
IT partnerships are key to success

The accelerated shift towards digital channels across industries, including housing finance, is enabling increased capacity, improved processes backed by digital mindsets and skillsets, greater agility, actionable insights and performance optimization at scale. Most financial services companies anticipate greater profitability and high returns from their investments, driving the demand to move ahead as quickly as possible.

So, what’s the next step to accelerate your digital transformation? Recognizing that this is a journey, choosing an experienced IT partner that understands your business needs and the skills needed to pivot effectively will play a critical role in helping your organization successfully weather the impact of market changes.

A strategic partner is vital to help your organization leverage the right technologies, the right people and the right processes at the right value—to not only achieve your business objectives but to help you thrive and surpass your goals in any business environment.

Learn how digital transformation can optimize the way your organization works to deliver powerful outcomes in housing finance today and into the future.

A strategic long-term IT partner is about more than just the technology they offer. When you choose a partner that is also committed to integrating sustainability and corporate social responsibility, you’ll be collaborating on technology initiatives that also make a global impact—going well beyond financial gains for your organization.
About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across hundreds of locations worldwide, we provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

cgi.com

© 2021 CGI Inc.