

NEAT EVALUATION FOR MPHASIS DIGITAL RISK:

Mortgage & Loan Services

Market Segment: Overall

Introduction

This is a custom report for Mphasis Digital Risk (Mphasis) presenting the findings of the NelsonHall NEAT vendor evaluation for *Mortgage & Loan Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Mphasis for mortgage & loan services, and the latest market analysis summary for mortgage & loan services.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering mortgage & loan services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in professional services, hosted/SaaS delivery, and support for new digital business models.

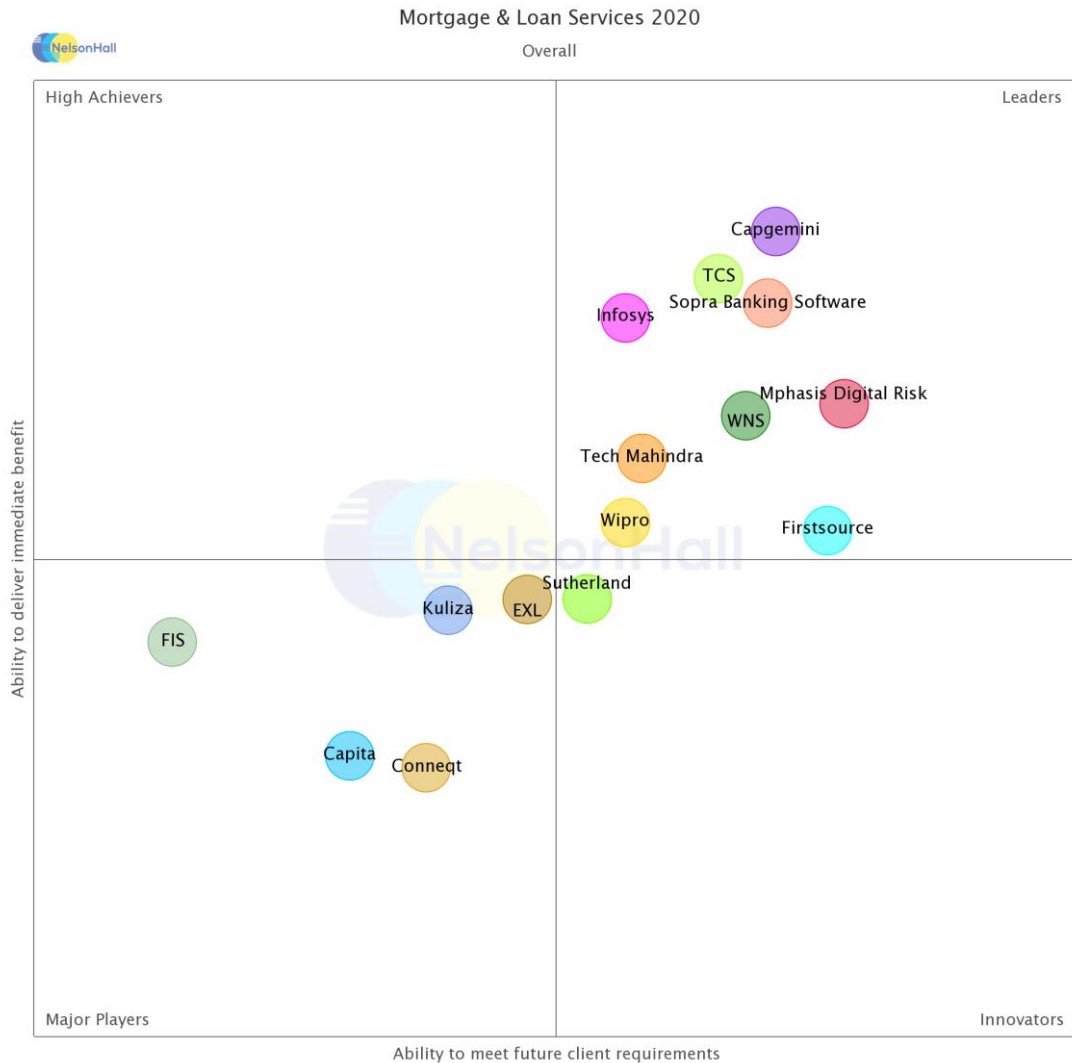
Evaluating vendors on both their ‘ability to deliver immediate benefit’ and their ‘ability to meet client future requirements’, vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Capgemini, Capita, Conneqt, EXL, Fidelity (FIS), Firstsource, Infosys, Kuliza, Mphasis Digital Risk, Sopra Banking Software, Sutherland, TCS, Tech Mahindra, Wipro, and WNS.

Further explanation of the NEAT methodology is included at the end of the report.



NEAT Evaluation: Mortgage & Loan Services (Overall)



NelsonHall has identified Mphasis as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Mphasis’ overall ability to meet future client requirements as well as delivering immediate benefits to its mortgage & loan services clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the *Mortgage & Loan Services* NEAT tool (*Overall*) [here](#).



Vendor Analysis Summary for Mphasis

Overview

Mphasis has been delivering services to the financial services industry since it was founded in 1992 by banking industry executives. Today, Mphasis generates 46% of its revenues, and 26% of new logo wins, from the banking and capital markets industry. Mphasis counts 14 of the top 15 mortgage lenders as clients.

Mphasis entered the mortgage & loan (M&L) services business in 2013, with the acquisition of Digital Risk Services for \$175m. Digital Risk was founded in 2005 to provide loan review services for defaulted loans in mortgage-backed securities through analytics and heuristic models. Over time, Digital Risk expanded its offerings to include BPS services to lenders and services.

In 2011, Digital Risk introduced analytics and mortgage origination solutions to its offering set. Digital Risk holds licenses, including:

- SAFE ACT domestic operations: 49 continental U.S. states + D.C.
- SAFE ACT non-U.S. operations: Global operations center, 25 states + D.C.

Digital Risk was acquired by Mphasis for its origination, forensics, collateral valuation, and analytics offerings in mortgage services. Mphasis Digital Risk's M&L services are delivered in support of U.S. based lenders.

Mphasis' M&L operations services are focused on software implementation and BPS. Clients primarily buy BPS services focused on origination (80%), with administration, support, and other services making up 20%. Client buying patterns include:

- *BPS*: all clients buy BPS services, primarily origination services. Most clients start with one type of service (either operations, valuation, support, quality control, or due diligence). Over time, clients add additional towers of BPS services
- *Consulting*: clients buy consulting separately as an add-on service to BPS. Their goal is to improve efficiency, transform operations or improve compliance
- *IT Services*: ITS is purchased as either an add-on to a consulting project or to a BPS engagement to achieve efficiency goals for operations.

Financials

NelsonHall estimates that Mphasis' last twelve months' revenue from M&L services were:

- BPS: 80%
- IT services: 18%
- Consulting: 2%.



Strengths

- Experience with GSEs, which applies to lender operations and mortgage valuations
- Tools and frameworks for implementing digital services into BPS with the domain expertise to improve operational efficiency
- Ability to deliver end-to-end origination BPS
- Strong onshore delivery capability to support M&L services delivery.

Challenges

- Limited client engagements to date with start-up and local lenders
- Limited cloud delivery activities to date.

Strategic Direction

Mphasis is looking to grow its M&L services business by targeting:

- U.S.-based clients who want to combine automation with BPS delivery
- Consulting on risk compliance and valuation frameworks based on GSE perspectives
- U.S.-based clients for onshore delivery of service, with an option of offshore delivery for clients who require that capability.

It will focus on selling these services by supporting platform modernization, especially for LOS solutions.

Outlook

Mphasis has developed and deployed a strong set of digital lending capabilities over the past several years to support tier-one lenders looking to automate their operations. It is rapidly growing a large onshore delivery presence. Finally, Mphasis is scaling up its technology solutions, both proprietary and non-proprietary, to expand its digital solutions offerings to clients.



Mortgage & Loan Services Market Summary

Overview

Mortgage and loan services vendors increasingly deliver combined professional services, cloud migration, and BPaaS services. Mortgage and loan services are a mature business with tier 1 banks looking to set up subsidiaries to enter new markets and create omnichannel brands/offerings.

COVID-19 has driven a shift from originations to default management. Clients continue to migrate to hybrid cloud. Vendors provide consulting on digital transformation and platform consolidation. Managed services include SaaS and BPS. Clients have been focusing on flexing delivery to accommodate large volume shifts and addressing competitive threats from new entrants, including specialty lenders and startup lenders.

Buy-Side Dynamics

Clients are buying service bundles including:

- Current: Single-country support for individual process lines (origination in 2019 the largest, servicing, and default management). Increasing support for multi-country platform standardization
- Emerging: Move to hybrid cloud delivery of automated processing. Cognitive enablement of default services and data management.

The lending industry is adapting to slowing loan growth, and now with COVID-19 to shrinking loan portfolios. The industry has been variablizing and reducing the cost of operational delivery using automation, AI, and third-party operations delivery. Origination, due to its high cost (i.e. \$3k to \$7k per closed retail mortgage in the U.S.) has been the highest priority target for cost reduction for the past five years. Services vendors are offering lenders lower cost services, supported by more standardized, consolidated, automated operations across multiple products and markets. The past two years has seen a rapid move to hybrid cloud delivery. This trend is still in its early stages and will accelerate with the advent of the COVID-19 pandemic.

M&L services vendors are combining ITS and BPS to allow clients to automate delivery at their own pace and with an evolving ecosystem of product vendors. The COVID-19 pandemic has started an aggressive move to remote work. This has increased the need for strong cybersecurity and for robust national infrastructure in some emerging markets to support remote delivery.

Key competitive differentiators for vendors include:

- Default management: (processes listed in order of clients' current priority):
 - Ability to scale effective operations rapidly over the next several years
 - Ability to coordinate a large ecosystem of third-party vendors in many local markets
 - Strict regulatory compliance, as regulations evolve
- Secondary market services:
 - Rapid TAT on portfolio reviews. Ability to analyze portfolios to reduce portfolio risk
 - Ability to onboard portfolios quickly and accurately under deadline



- Origination:
 - Ability to reduce TAT and manage data across silos using intelligent automation
 - Ability to improve CSAT across an omnichannel environment
- Loan servicing: a high level of process efficiency and standardization.

Market Size & Growth

NelsonHall estimates the size of the mortgage and loan services market to be ~\$13,215m in 2019, and that it will grow at 2.3% per year in the period 2019 to 2024.

The mortgage and loan services market starts with origination, which accounts for ~22% (\$2,910m) of client spend and is declining at -2.6% over the forecast period. Administration accounts for ~53% (\$7,025m) of client spend and is growing at 3.4% over the forecast period. Finally, IT services accounts for ~25% (\$3,280m) of client spend and is growing at ~3.8% over the forecast period.

Success Factors

Key success factors for clients include:

- Process execution:
 - Ability to migrate workloads to a robust, secure, hybrid multi-cloud environment
 - Convert CAPEX to OPEX by making upfront investment in operations and take some volume risk. Now with COVID-19, the financial strength to assure stability and business continuity
 - Standardize and consolidate process delivery across markets and products
 - Ability to delivery from a WFH environment and support the client's move to WFH
- Domain expertise aligned with ITS capabilities:
 - ITS focused on data management and analysis, integrated with operational delivery
 - Ability to work with emerging technology product vendors to create business cases
 - Ability to attract and retain employees with relevant domain and technology skills
 - Application of best practices from across clients and industries to client challenges.



NEAT Methodology for Mortgage & Loan Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.



Exhibit 1

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Breadth of lending processes covered
	Origination capability
	Servicing capability
	Default management capability
	Application of digital technologies to lending
	Platform based services/SaaS/BPaaS
	Application of AI/cognitive technology to M&L
	Ability to offer new process models with digital technologies
	Ability to benchmark processes and offer roadmap
	Digital M&L processes implementation capability
Ongoing digital environment management	
Combined technology/people-based exception handling capability	
Delivery	Scale of mortgage process delivery capability
	Scale of other loans process delivery capability
	Cognitive delivery capability
	Delivery capability – U.S.
	Delivery capability – U.K.
	Delivery capability – Continental Europe
	Delivery capability – Rest of EMEA
	Delivery capability – APAC
	Delivery capability – LATAM
	Use of pre-existing digital M&L technology implementation templates
Digital loan process change management capability	
Maturity of digital M&L services delivery model	
Digital M&L services governance capability	
Design thinking capability	
Client Presence	Overall presence in M&L operations
	Presence in consumer mortgages
	Presence in unsecured loans
	Presence in commercial mortgages
	Presence in commercial loans
	U.S. presence
	U.K. presence
	Continental Europe presence
	Rest of EMEA
	APAC presence
LATAM presence	

Continued...



Benefits Achieved	<ul style="list-style-type: none"> Transformation of business model Reduced origination TAT Increased new business acceptance rates Level of process cost savings achieved Process error reduction Process cycle time reduction Improved CSAT
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Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Service Innovation Culture	<ul style="list-style-type: none"> Perceived suitability to meet future client needs in M&L operations Perceived suitability to develop new M&L business models & processes Ability to reimagine processes Sector knowledge Service culture Innovation & creativity Ability to apply new technologies Digitalization capability
Level of Investments	<ul style="list-style-type: none"> Level of investment in consumer lending capability Level of investment in unsecured lending capability Level of investment in commercial lending capability Level of investment in cognitive/AI Level of investment in digital technologies in support of lenders Level of investment in own tools & platforms in support of lending Level of investment in new systems of engagement for lender
Market Momentum	<ul style="list-style-type: none"> Digital M&L momentum – mortgages Digital M&L momentum – non-mortgages

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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