
ProcessModel Helps Revolutionize Mortgage Industry

Tony Cato
Fannie Mae; America's largest source of home mortgage funds.



Since Fannie Mae began in 1968, it has helped more than 30 million families achieve the American dream of home ownership.

To be successful in today's competitive battlefield of business, companies must understand the way functional areas, such as loan production and servicing, contribute to the bottom-line; and be prepared for the changing competitive landscape in the mortgage banking business.

Over the past five years competition in the mortgage banking arena has intensified, creating huge pressures on already thin margins, waves of mergers and consolidations, and much anxiety, as many companies were forced out of the business. Automated underwriting technology has provided the capa-

bility to offer customers one-day approvals on mortgage loan requests. In an industry where 30 day approvals were the norm, a complete and total paradigm shift has occurred, causing the whole industry to seek the best survival strategies in this new competitive landscape.

Problem

Over the past 5 years, mortgage bankers have found themselves in a very competitive marketplace. Profit margins had become razor thin and lenders were being forced out of the marketplace. Bottlenecks, inefficiencies, and glitches were causing loan cycle times of 45-60 days. Lenders were losing customers to competitors who could provide borrowers with one-day decision cycle times. Lenders looked for new solutions and different ways to run their businesses more efficiently.

At a Glance

Problem: Over the past 5 years, mortgage bankers have found themselves in a very competitive marketplace. Profit margins have become razor thin and lenders were being forced out of the marketplace. Bottlenecks, inefficiencies, and glitches were causing loan cycle times of 45-60 days. Lenders were losing customers to competitors who could provide borrowers with one-day decision cycle times. Lenders now looked for new solutions and different ways to run their businesses more efficiently.

Solution: The Business Consultant Services team of the Fannie Mae Corporation selected the ProcessModel simulation tool to help streamline business procedures.

Results: ProcessModel has allowed Fannie Mae to help lenders nationwide in understanding the cost of their current business process and the advantage of transitioning their companies to a more efficient process.

Cycle times and costs have both decreased dramatically. ProcessModel has allowed lenders nationwide to create a business case so compelling that—even in the face of organizational resistance—senior management is motivated to transition their organizations from the old way to the new.

“The results have been outstanding...cycle times and costs have both decreased dramatically. ProcessModel has allowed lenders across the country to create a business case that is so compelling, that—even in the face of organizational resistance—senior management is motivated to transition their organizations from the old to the new.”

Solution

One of the most effective survival strategies for the companies is to understand the business process flow of their organizations, and be able to identify the bottlenecks, inefficiencies, glitches, and cost of that process. Once the present process is understood, 90% of the solution becomes evident to most of these banking Institutions. From there, target processes with more efficient business flows can be designed for competitive advantage.



The Business Consultant Services team of the Fannie Mae Corporation selected the ProcessModel® simulation tool to help re-engineer their service business.

ProcessModel has allowed Fannie Mae to assist lenders nationwide to understand the cost of their current business process and the advantage of transitioning their companies to a more streamlined efficient process. It also allowed lenders to show the reasons why the current business processes needed to be overhauled. ProcessModel's ability to highlight lenders' current loan production processes, identify resources, tasks, bottlenecks, inefficiencies, and process glitches has produced revolutionary change within the industry.

The ability of the tool to pictorially represent lenders business process with the attendant tasks, resources, and costs has enabled lenders nationwide to re-engineer for success. The simulation ability of the tool has allowed real-time "what-if" analysis" between the current and target processes. Revolutionary change has been the result as banks across the country have clamored for these engagements, in the hope of being more competitive.

Results

The results have been outstanding... cycle times and costs have both decreased dramatically. ProcessModel has allowed lenders across the country to create a business case that is so compelling, that—even in the face of organizational resistance—senior management is motivated to transition their organizations from the old to the new.

Lenders nationwide have reduce cycle times, increased capacity, and eliminated inefficiencies. Leading lenders have achieved one-day loan



decision cycles, increased capacity 150%, and reduced costs by two thirds.

ProcessModel's ability to identify business processes and cost has given lenders the ability to accomplish break through performance with new more efficient and lean competitive business processes.

FIND OUT MORE

About the author:

Tony Cato has an MBA from Rutgers University, with a BS in Economics; United States Naval Academy, Annapolis. He has been a Senior Consultant with Fannie Mae for four years. He developed and implemented consulting strategy for a nationwide consulting force.

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