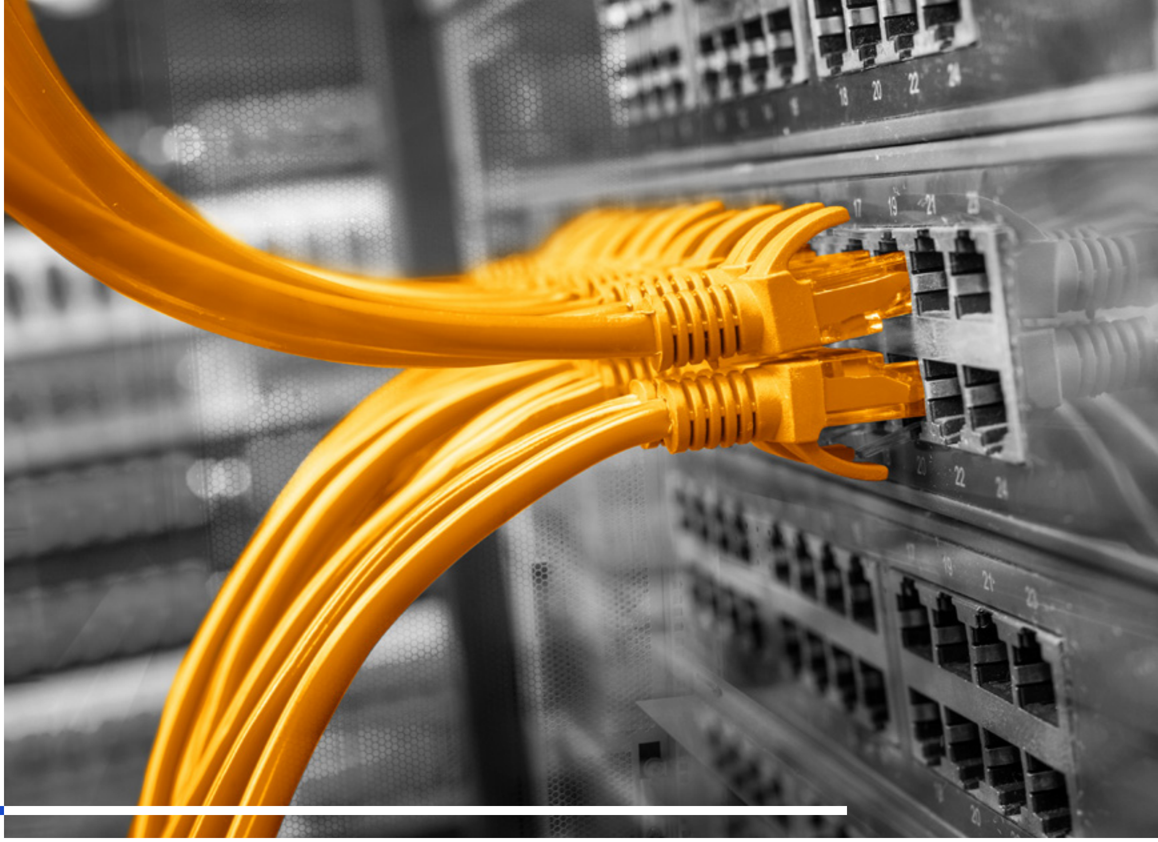


MMI.IO

Stacking the Deck

How to perform a successful audit of your company's current tech stack

About this white paper

Tech stack audits have been top of mind for MMI recently for a couple of reasons. With some of our own contracts up for renewal, we took a closer look at the ROI for each tool and were able to slim down our own tech stack without too much impact to our day-to-day operations and productivity. Additionally, we've noticed that several companies have recently offered advice and insight on performing tech stack audits but much of that content is actually thinly-veiled marketing material and not unbiased, results-driven advice.

As we took a closer look at our own the stack, we researched tech stack audits and found an almost excessive amount of information. We hope you find this to be useful and informative. MMI's objective is to provide the mortgage industry with tools that are helpful to lenders and LOs. Typically, we are looking to illustrate the kinds of actionable insights that can be derived from the extensive amount of data available and how both can be used to further business objectives. However, this white paper is taking a broader approach to our objective as we share the insights we have derived from our own experience as well as a useful spreadsheet you can use to conduct your own tech stack audit.

It's not news that higher interest rates have lenders even more focused on increasing production volumes and decreasing operating costs. Lenders often look to technology when trimming expenses, viewing software as a discretionary expense. However, cutting tech spending wholesale without evaluating the benefit accrued to both the lender and borrower due to that spending is a short-sighted strategy that can have long-term implications.

A tech stack audit is one of the most effective methods of lowering operating costs without sacrificing effective tools. Rather than simply cutting the technologies with the highest price tags, you need to evaluate current technologies carefully and extensively, focusing on optimizing productivity and return on investment (ROI). Performing a tech stack audit with this mindset will save money, decrease redundancies and increase tech stack efficiency.

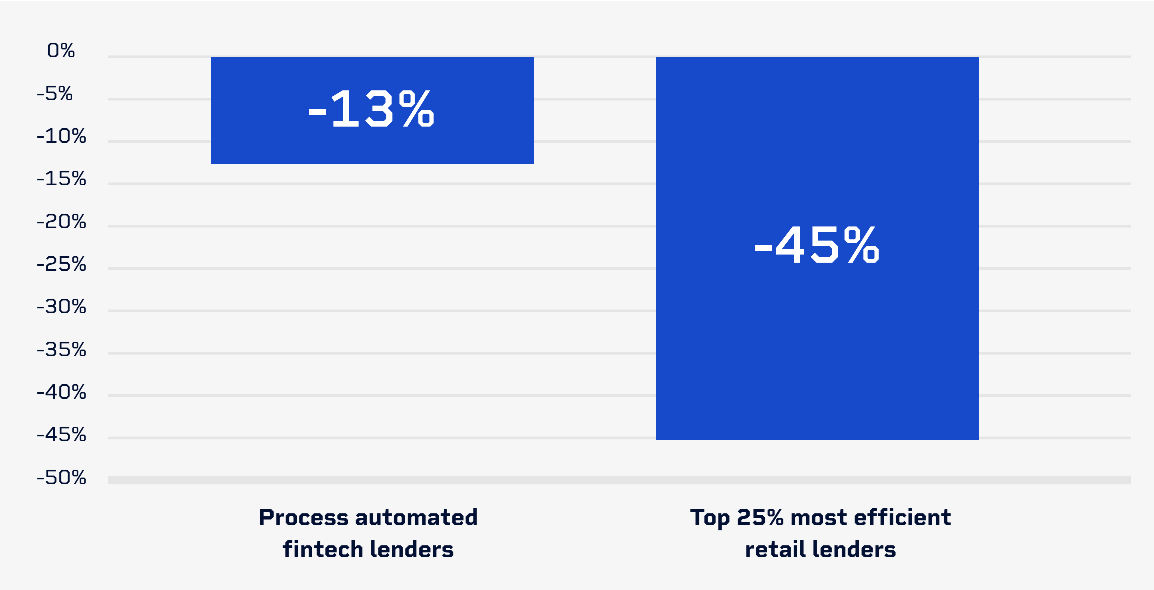
Why now?

Increasing your tech stack efficiency will, in most cases, lead to increased cost efficiencies.

Freddie Mac's 2021 Cost to Originate Study reports that study participants cited efficiencies achieved by process automation driven by technological investments as a factor that helped lenders reduce costs. Fintech lenders that accelerated the mortgage process using technology from loan application to approval and closing recorded 13% lower production costs per loan than non-fintech IMBs.

Additionally, the top 25% most cost-effective retail lenders averaged per loan costs nearly $4,000 (or 45%) less costly, which were achieved partly by cost-efficient strategies and a greater adoption of digitization.

COST SAVINGS TO ORIGINATE VERSUS IMB AVERAGE



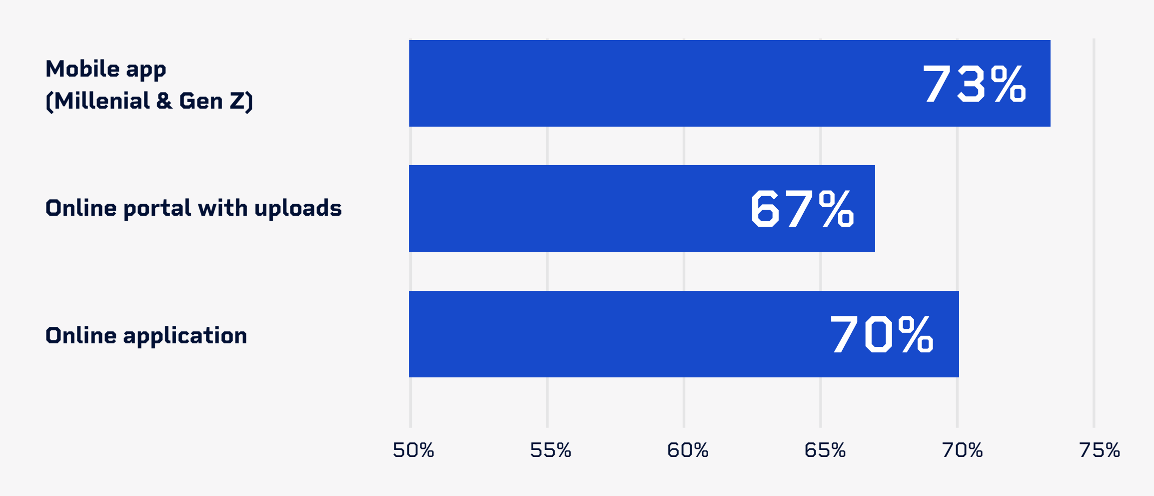
Source: FreddieMac Cost to Originate Study: How Digital Offerings Impact Loan Production Costs

It's hard for many companies to justify making new investments in a down market, but the right investments can really pay off. Performing a tech stack audit will highlight which of your existing investments are adding value and where you may need to shift your investments for a better return. Borrowers want digital solutions, meaning you need to invest in those tools and solutions.

According to the 2023 ICE Borrower Insights Survey:

- Being offered an online application influenced 70% of borrowers in their decision to work with a particular lender.
- Being able to upload documents to an online portal influenced 67% of borrowers when choosing a lender.
- The availability of a mobile app influenced 73% of Millennial and Gen Z borrowers.

INFLUENCE OF TECHNOLOGY ON BORROWER'S LENDER DECISION



Source: 2023 ICE Borrower Insights Survey

Benefits of a Tech Stack Audit

The primary goals of a tech stack audit are to consolidate and optimize technologies, features, and functionalities, resulting in benefits such as increased efficiencies and revenue; decreased redundancies, expenses and risk; and a better understanding of the technology offerings. Instead of focusing on the tool itself, an effective tech stack audit should focus on the operational process associated with each tool.

Reducing expenses should positively impact the profit and loss statement (P&L), including showing a net increase in revenue. A leaner tech stack will help streamline training for new employees, and clearly outlining the benefits and features of each tool should also lead to increased adoption by existing employees.

A greater understanding of a tech stack's offerings and how to maximize the benefits and efficiencies of each tool will also improve employee satisfaction and provide a better customer experience.

By reducing your tech stack's offerings, you can also mitigate risk by minimizing software entry points, passwords and data access, keeping data and back-end processes clean and reducing the potential for quality control issues by eliminating software redundancies.

Components of a Tech Stack Audit

Before a successful tech stack audit can commence, you must compile a comprehensive list of the software currently in the tech stack. Comparing this list to accounting records helps ensure a complete list and verifies each tool's current spend.

Once you have compiled the list of software, your next step is to expand the information associated with each software, including the department(s) that use the software, type of software, features and functionalities, total number of users, definition of an active user, number of active users, annual cost, subscription renewal dates, cancellation policy details and relevant integrations. We have produced a spreadsheet you can use to help you better organize this process.

Download Tech Stack Audit Template

Cataloging features and functionalities makes it easier to identify overlap and eliminate redundancies. During the cataloging process, you must evaluate each feature based on necessity. One way to do this is by grouping features into categories such as: "can't live without it," "really nice to have" or "good but not necessary." This makes it easier to determine where there might be cross-over in non-critical functionality with software that also fulfills critical tasks, thus potentially removing extraneous software from your tech stack (and expenses).

You can determine the actual adoption and usage of the tools by defining what makes an active user for each software and noting how often and for how long active users are accessing the tool.

Lenders should also use this time to survey employees on why they do or do not use particular tools and the qualitative and quantitative impact of each tool. With this information in hand, it becomes easier to determine the value each software brings, if there are better solutions on the market, and how it affects the customer experience.

This information will also help you determine how to measure a software's ROI. Key factors contributing to ROI include profitability, productivity, people and prevention. Profitability is what many consider to be the driving factor for ROI. However, positive trends related to the other three factors are just as crucial to ROI, often reinforcing the belief that you can't assign every high-value feature and functionality a specific dollar amount. Additional positive impacts can be defined as higher loan production with a lower headcount per loan (productivity), improving the customer and/or employee experience (people) and risk reduction (prevention).

The Four Factors of Software ROI

Software Evaluation

As seen with some of the tools lenders are evaluating, simply having a plethora of data doesn't solve a problem; it's how you use the data that's important. While some evaluation will be unavoidable during the data-gathering stage, further evaluation is necessary.

Answer the following questions concerning each tool for a comprehensive and comparable evaluation of each software.

What value are we getting?

Looking at the qualitative, not quantitative, value differs from identifying and measuring ROI. Another way to evaluate the value is to determine if the tool successfully serves the purpose for which you obtained it. If a software is not serving its intended purpose, you need to identify the reasons for that shortcoming. While the inadequacy could supply sufficient reasoning for eliminating the tool from the tech stack, it may be possible that inadequate implementation has impacted the software's value, which you can easily rectify.

When calculating value, determine if your company is utilizing the full potential of each tool. Lenders often implement software for a singular purpose without considering or applying additional functionalities.

Who uses it?

You can answer this question by determining the number of active users and the true level of adoption, both of which you defined during the information-gathering stage. However, you must also examine how teams and/or branches use each tool. For example, does the entire team use the same tool to manage customer outreach or are multiple tools used to complete the same task? It's important to note that even if a software is deemed critical to operations, lenders may pay for unnecessary licenses.

What's on the market now?

Without an individual or team dedicated to your digital strategy, it can be easy to miss newly announced features for your existing tools and recently released products, either of which could prove to be a better alternative to what you're currently using. During a tech stack audit, lenders should evaluate current software offerings to ensure the solutions currently engaged are still the best fit for their organization and processes. While replacing some tech stack tools may not be the best choice in every situation, cost savings are not an uncommon or unwelcome accompaniment to a software change.

How is the tool currently integrated into our tech stack?

There are two factors to consider when you evaluate a tool's integration into the tech stack: data and process.

Tech stack audits need to look at how data flows through the tech stack and if it is enhanced and/or changed as it progresses through the different tools. For example, are lead records automatically enhanced when data is matched from multiple tools?

You must also understand how key processes advance through the tech stack and individual tools and how vital that touchpoint is to those processes. It's worth noting that some tools, such as internal messaging or meeting software, serve their purpose without integrating into other tools and/or processes.

You should also evaluate integrations to determine if you're taking advantage of the tool's full potential, how you could improve the integrations and if you could realize any additional benefits. You can also use these considerations when determining a tool's value.

How would eliminating the tool impact the customer experience?

It's crucial to evaluate tools on their internal and external impact, as well as the internal and external implications of eliminating or replacing them. For instance, you may be able to easily eliminate your current help desk software and transfer the functionality to another software without negatively impacting the customer experience.

How easily can the tool be replaced?

This question is often overlooked if a tool is providing value, is fulfilling a critical function and/or is easy to use. However, even if it's only a thought exercise, lenders should evaluate the ease of replacing every tool in a tech stack.

While the time and resources related to replacing some software can be significant, those costs are often uninformed and overestimated. Rather than assuming what the conversion process requires, ask potential replacement vendors for a request for proposal that includes the needs and details for the conversion process, as it's not uncommon for the new vendor to drive that process.

Conclusion

Once you've answered all these questions and gathered all of the above information, it is simply a matter of putting it all together. Just compile a list of the tools you can eliminate or consolidate and then start the process of canceling contracts and, where necessary, transferring functions and processes to other software.

With much of the mortgage process reliant on the software in a lender's tech stack, expecting a tech stack audit to result in a complete overhaul is unreasonable. Instead, focus on optimizing your tech stack to increase production volumes, operational efficiencies and profits.

Download Audit Template

About MMI

Mobility Market Intelligence (MMI) is a market leader in data intelligence and market insight tools for the mortgage and real estate industries. Headquartered in Salt Lake City, the company's signature product, MMI, provides actionable intelligence for lenders, real estate agents, real estate brokerages, title companies and others in the real estate industry.
MMI is currently used by more than 350 enterprise customers, including 20 of the top 25 lenders in the country.

To learn more, visit mmi.io or contact sales@mmi.io