

# Top 10 North American Mortgage Lender

## Customer Characteristics

### Type

Leading North American mortgage lender with strong retail banking presence.

### Outstandings

\$220 Billion

### Originations (annual)

\$220 Billion

### Customers

1.7 Million

## Engagement Objectives

- Optimize revenue streams.
- Increase receivables.
- Facilitate short term and long term growth objectives.
- Avoid any negative impact on Client's reputation in the market.
- Easy implementation.

## OVERVIEW

The engagement analyzed all aspects of the customer's mortgage lending operations to uncover new financial opportunities. Though the Client was a leader in their market, they were facing tough competition from new and existing financial institutions. Part of the Client's strategy to offset this competition was to take a proactive approach and implement new methodologies to meet and exceed their short and long term growth objectives.

## CHALLENGES

The Client offers a broad and deep portfolio of mortgage products that are very sophisticated and very complicated. These products are marketed in a very low-interest, low-margin environment that is rife with intense and aggressive competition. Combined with strict governmental regulations, the Client was challenged to develop ways to increase revenue without negatively impacting its reputation in the industry. PROFIT INSIGHT® analysts needed to take all of these factors into consideration when developing strategies and solutions that would have the greatest impact on the bottom line.

## OPPORTUNITY IDENTIFICATION & REVIEW

Through the analysis detailed on page 2, PROFIT INSIGHT® was able to identify eight (8) opportunities to increase revenue. These opportunities included changes in calculation routines, enhancements in product structure, modifications to marketing approaches to new customers and changes to sales efforts to existing customers. These opportunities were discussed in their development stages throughout the project with the Client's designated liaison in order to keep the Client fully informed regarding PROFIT INSIGHT® engagement activities, and to receive feedback and incorporate Client suggestions regarding the path of the engagement.

The estimated financial benefits from the eight (8) strategies ranged between \$20 million to \$50 million depending on the number of options selected for implementation. Ongoing discussions with key stakeholders during the latter phases of the engagement focused on the concepts regarding the ideas and their practical applications in the bank and market. Details of new marketing strategies and methods were presented along with an overview of the estimated benefits of implementation.

## ENGAGEMENT RESULTS

After subsequent analysis and review with appropriate stakeholders, the Product Management team endorsed three (3) of the opportunities identified representing over \$20 million in mature value. The remaining five (5) ideas are under further consideration and planned for future deployment.

### PROFIT INSIGHT® Engagement Results

Identified strategies:	8
Estimated value (\$USD million):	20-50
Accepted strategies:	3
Estimated value (\$USD million):	20

## THE PROCESS

### Pre-Engagement

About one month prior to the start of the engagement PROFIT INSIGHT® held a conference call with key members of the Client's management team. Areas represented, in addition to the Division Head, included:

- Policy and Regulatory Compliance
- Strategy and Portfolio
- Pricing and Strategic Initiatives
- Customer Acquisition
- Portfolio Management and Strategy
- Collateral Management and Strategic Alliances
- Finance

During the call PROFIT INSIGHT® briefed the Client management team on the purpose of the engagement (to develop ideas to increase revenue and growth of receivables) the timing and methodology to be applied during the engagement, then fielded questions from the senior managers.

Subsequent to the pre-engagement call, PROFIT INSIGHT® provided the Client with a data request encompassing the major key metrics surrounding the business unit, including:

- Copies of Terms and Conditions and Lending Agreements for all products
- Statistical data and financial management reports for all key metrics in the business for the previous 12 months
- Detail income and expense reports for the previous 12 months
- Copies of statements for representative accounts, and amortization schedules used in the lending process
- Marketing materials for all products

### On site Analysis

PROFIT INSIGHT® dedicated two senior analysts to the project team on a full time basis. The engagement transpired over 15 weeks with the analyst team on site for 12 weeks. During the engagement additional PROFIT INSIGHT® staff was enlisted in the project work in order to bring further marketing and financial expertise to the project.

### Interviews

During the two weeks of the engagement, one hour introductory meetings were scheduled with key Client stakeholders. The meetings were interactive and focused on:

- The Client's market
- Client strategies and priorities
- Product positioning
- Product and pricing structure
- Pending initiatives and customer related sensitivities

In later stages of the engagement, PROFIT INSIGHT® also conducted detailed interviews with support units outside the Mortgage Division, including Operations, Legal, Compliance, Finance, Systems, and Branch Personnel.

### Data Analysis

Prior to and during the first two weeks of the engagement, the Client provided PROFIT INSIGHT® with the initial data request. During the initial phases of the engagement PROFIT INSIGHT® analysts:

- Reviewed all current terms and conditions and customer statements
- Analyzed management financial reports creating a series of metrics relating to the Client
- Developed summaries of the Client's products and approaches
- Verified interest calculations for all product types
- Measured success factors relating the Client's financial results

### Benchmarking

During the engagement PROFIT INSIGHT® performed an extensive competitive marketing analysis, comparing our Client with its major competitors. This analysis included comparisons by product type, including product structure, customer approach and materials, and servicing. It also included blind product shopping comparisons conducted discreetly by PROFIT INSIGHT® Staff. The result was a comprehensive comparison of Client marketing strengths and weakness that provided the Client with a bird's eye view of its program and product offerings vis-à-vis its competition.

### Auditing

A key aspect of the PROFIT INSIGHT® analytical methodology was validating exactly how products work through detail audits of:

- Transactions
- Calculations
- System parameter settings
- Policies, procedures and processes
- Exception handling
- Fee assessment rules and collections

### Checklist Review

By following the analytical methodologies outlined above, the PROFIT INSIGHT® analysts readily identified opportunities. However, PROFIT INSIGHT® also applied its proprietary checklist of over 800 "Best Practices" which on all engagements is used to identify additional potential ideas.

## THE PROFIT INSIGHT® DIFFERENCE

The PROFIT INSIGHT® Loan Performance Consulting practice helps clients significantly improve the profitability of their lending business. We partner with our clients to deliver short and long-term value by identifying, analyzing and implementing tactical solutions to significantly improve portfolio and operation performance while limiting impact to their customers.

Our consultants are recognized card industry experts and include former Federal Reserve officials, bankers, and card operations and marketing executives with expertise in Efficiency, Offer Targeting, Pricing, Interest Calculations and Operations.



249 Williamson Road • Mooresville • North Carolina • USA • 28117  
866.261.6226 • www.profitinsight.com