

NEAT EVALUATION FOR INFOSYS:

Mortgage & Loan Services

Market Segment: Overall

Introduction

This is a custom report for Infosys 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 Infosys 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.

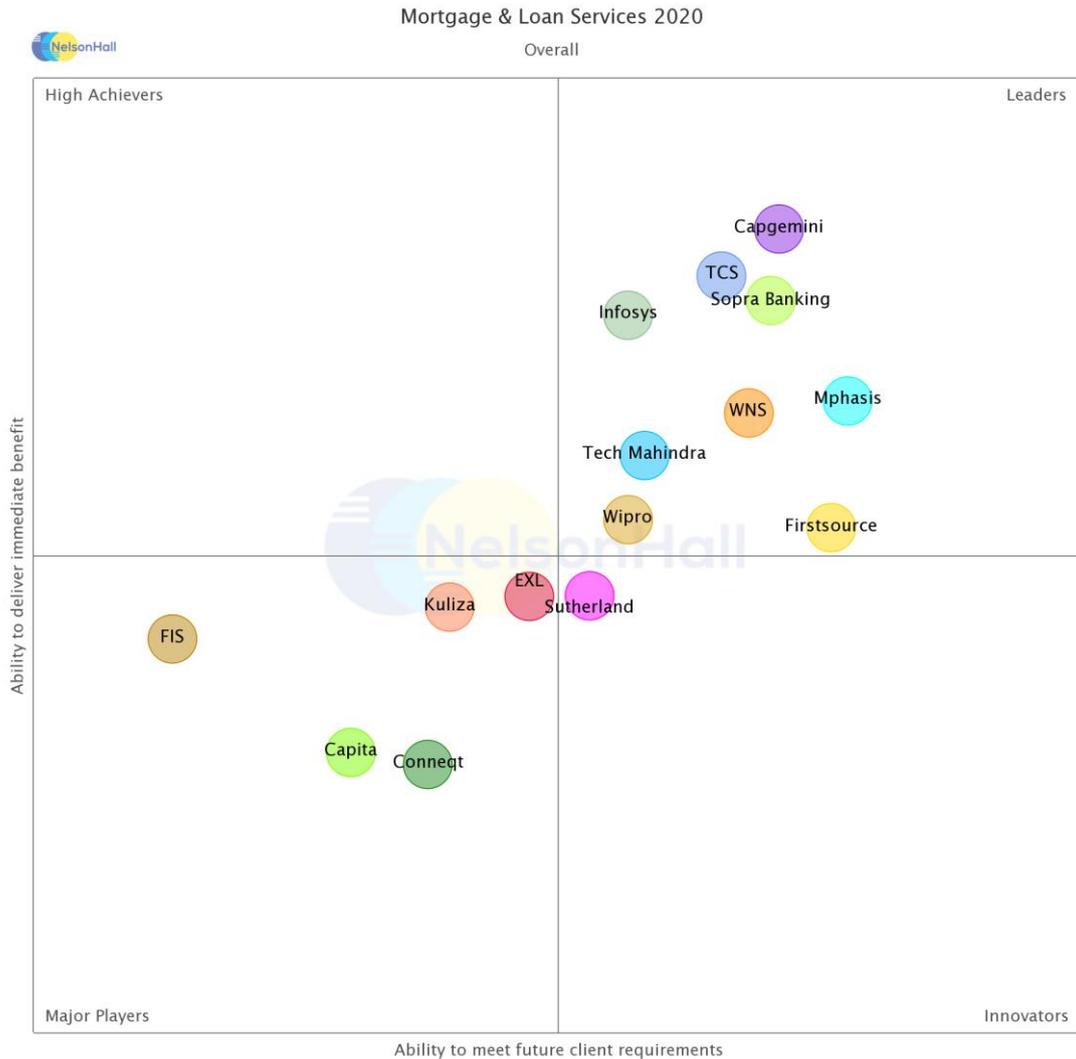
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Capgemini, Capita, Conneqt, EXL, Fidelity (FIS), Firstsource, Infosys, Kuliza, Mphasis, 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 Infosys as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Infosys’ 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 Infosys

Overview

Infosys started providing banking operations services to banks with a focus on data management and banking industry-specific processes. In 2002, it formed a joint venture with Citibank Investments called Progeon. In 2006, Infosys acquired all Progeon and renamed it Infosys BPO. In 2018, Infosys BPO was renamed as Infosys BPM.

Infosys began its mortgage and loan (M&L) BPO business in 2003 with a U.S. lender to provide data entry services. It started its first engagement with origination services, including underwriting support, fulfillment, and some call center support. Over time, Infosys has added other underwriting mortgage origination clients. During the banking crisis, several of these clients were lost. After the crisis started, Infosys spent 18 months rebuilding the M&L BPO business.

Infosys M&L services business has been active globally but focused on the North American marketplace. In mid-2019, Infosys closed its acquisition of 75% of Stater for \$140m. Stater was an ABN AMRO subsidiary, with ABN AMRO retaining a 25% interest in Stater. Stater is the largest mortgage services provider in the Benelux region. The acquisition is part of Infosys' strategy of expanding its presence in multiple markets around the globe.

Infosys' M&L operations services are focused on software implementation and BPO.

Infosys' Stater clients, primarily large European banks, have all started with BPO services and added ITS services over time. Infosys' other clients typically buy services based on their size, including:

- Large banks: buy a distinct elemental service, typically either ITS or BPO. Most large banks buy only IT services. Often, engagements start with data migration and/or management. Over time, these engagements grow to include services in adjacent processes
- Medium and small banks or lenders: smaller lenders buy a broader set of services, often both ITS and BPO. The ITS services are bought to improve process efficiency and then transfer the process to a BPO environment.

In older BPO contracts, mortgage administration was the primary service purchased. Today, lenders are increasingly interested in origination services, which constitutes the bulk of M&L services bought today. When a relationship has matured, often clients expand the relationship to include default management services.

In the past two years, clients in North America have focused on buying services to enhance data analytics and customer journeys. In Europe, clients have focused on buying services to enhance efficiency and consolidate platforms.

Financials

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

- Originations: 60%
- Administration: 30%
- Default management: 10%.



Strengths

- A large client base of technology clients in large banks to target for up-sell to M&L services
- A large and growing ecosystem of FinTech product vendors
- Knowledge of core banking system processing and back-office operations
- Compliant systems and operations with quick updates. Mortgage licenses in 50 states.

Challenges

- Low presence to date in M&L services in APAC. Also, needs to drive organic growth in Europe (currently most of the European business is legacy Stater)
- Limited client engagements to date with start-up and local lenders.

Strategic Direction

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

- Targeting U.S.-based clients who would like to leverage their 50 state mortgage licenses
- Targeting large banks in all geographies to deliver IT services implementing digital solutions to improve efficiency
- Targeting medium and small lenders with combined ITS and BPO services to provide a one-stop-shop for operations delivery
- Supporting clients with superior domain knowledge of their proprietary lending platforms, to consolidate platforms and enhance operations efficiency
- Onshore delivery of service, with an option of offshore delivery for the clients who require that capability.

It will focus on selling these services by supporting platform modernization and mitigating client staffing requirements as required.

Outlook

Infosys has developed and deployed a strong set of digital lending capabilities over the past several years to support lenders looking to automate their operations. It is rapidly growing a large onshore delivery presence in all geographies in which it operates. It is also scaling up its FinTech ecosystem to expand its offerings of digital solutions to clients.

Infosys can grow its M&L services business in the 10% to 12% range for the next five years, based on the cost pressure lenders are facing in the marketplace. We expect over the next five to ten years that regional and local banks will increasingly outsource operational delivery due to ongoing cost pressure. If Infosys can successfully expand its market share with medium and small lenders, it can add an additional 5% per year to its revenue growth rate.



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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

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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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