

**SAPIENS
DECISION**

Change Management Approach Transforms Leading U.S. Mortgage Division, Lowers Repurchase Rates

About the Client

The mortgage division of a top five U.S. financial services company that provides banking, insurance, investment, mortgage and consumer finance services via its 6,000 branches and other distribution channels, faced complex operational challenges in the wake of emerging regulations and market competition.

Limited Visibility and Inefficient Business Decision Management Processes

Facing economic uncertainty and aggressive competition, the mortgage division of a top five U.S. financial services company quickly realized that limited visibility and inefficient business decision management processes could hamper its ability to function effectively and keep costs low. Guaranteeing margins and investor compliance became increasingly complex for the bank's mortgage operations, due to inefficient legacy systems and processes.

An area of particular concern was the bank's Capital Markets Secondary Market System. Utilizing the legacy system and its complex interfaces meant the business had limited visibility and control over business rules in production. Changes in investor requirements were extremely difficult to implement, because a rule's source and corresponding rule were not easily traceable in the system. Additionally, the mortgage department could not evaluate all closed and unsold loans for every investor, instead settling for a view of one designated investor at a time.

For all mortgages issued, it was necessary to evaluate each investor eligibility requirement in order to match (or resolve discrepancies for) as many investors as possible. The business' inability to completely implement all investor requirement rules raised investor repurchase risk. The process of evaluating every mortgage, enforcing industry data standards and determining all eligible investors for each mortgage involved a number of systems. Each system managed its own incomplete and inconsistent set of rules; the work to maintain those disparate systems lowered profits.

An Unsuccessful Proprietary Solution

Expensive, time-consuming, IT-centric projects were conducted so requirements could be communicated and translated into rules, and subsequently coded for implementation. Realizing the long-term futility of this approach, the mortgage department attempted to address these issues by developing an improved rules interface for its frustrated business professionals. But this approach left them behind schedule and overrun with unforeseen costs. Even with a slight technical improvement, the in-house development team was still challenged to understand requirements and translate them into executable code. Revamping operations was a necessity, because without greater control and a streamlined decision process, the bank would face eroding profitability.

The Right DECISION

One of the financial institution's primary investors knew Sapiens could offer an alternative to the in-house development project and recommended Sapiens DECISION, a centralized business decision management solution that enforces consistent business logic across all enterprise applications. During an evaluation, the bank was impressed with the Sapiens DECISION Suite and its ability to support rapid and accurate decision model development, and full traceability of logic. The bank selected Sapiens DECISION to enable best execution and easily identify eligible investors by providing the ability to evaluate and concurrently close mortgages across all investor rules.

Sapiens DECISION enables financial services organizations to track, verify and ultimately ensure that every decision is based on the most up-to-date rules and policies. The solution introduces a new approach to change management. It is centered on managing business logic in accordance with a methodology called The Decision Model, offering clients a methodology and discipline that structures the documentation of business requirements. The DECISION Suite bridges the gap between business and IT and provides full visibility and control, by creating a centralized repository



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of business logic and automating the generation of code to any system, so that accuracy and transparency are maintained. Once the traditional liability associated with change is mitigated, strategic goals become quickly and easily attainable.

Rapid Implementation with Centralized Business Logic

The Sapiens DECISION team worked with the mortgage capital markets team to create a structured, centrally-managed repository of business logic at the core of its operations. With Sapiens DECISION, this preliminary development process is carried out once, and developed further over the long term. Centralization of the company's business logic enabled a significant cost reduction in operationalization of change requirements. Sapiens DECISION's technology-agnostic functionality enables the bank to quickly and consistently implement policies throughout its institutional IT systems, without having to "rip and replace" existing IT assets.

Enhanced Control and Visibility

Sapiens DECISION empowered the financial institution's users and put them in control of their business logic by providing an environment to independently author, validate, test and deploy decisions. This independent decision model ensures end-to-end consistency and completeness of business logic, while providing an appropriate level of governance over the decision models and their underlying business logic throughout the lifecycle. The platform offered the bank the governance required to ensure accuracy across all systems, and enabled them to trace any rule back to its originator and investor reasoning. As a result, the bank was able to quickly optimize its loan originations operations, which significantly lowered repurchase rates and mitigated risk.

The Sapiens DECISION Suite automates the translation of each request into code and ensures implementation accuracy. The business side is provided with an interface that enables rapid development of business logic (requirements) in an intuitive, consistent and reusable form readily understood by business users and technology teams. The transparency and business user accessibility empower business professionals and analysts to trace the development and implementation of each policy, from initiative to operationalization, and to evaluate each loan in line with its separate logic/code – specific to each investor.

Flawless Business Logic for Sustainability

Thanks to Sapiens DECISION, the U.S. financial services company's IT division can rapidly develop business logic and consistently deploy it to many environments, which enables the bank to continually realize vast cost savings and efficiencies. The logic is now complete, conflict-free, understandable and traceable to the business requirements, which ensures sustainability. Rapid, automated deployment, without the need to rebuild or replace existing systems, enables the firm to leverage its existing IT infrastructure – including the ability to quickly create and maintain investor eligibility rules. The satisfied customer plans to evaluate the expansion of Sapiens DECISION's deployment to optimize their underwriting, loan production and servicing operations.

For more information on how Sapiens DECISION can help you address your business challenges, please visit www.sapiensdecision.com.

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