

SERVICING MANAGEMENT[®]

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Increase Performance And Profitability

Flexible and centered around customer satisfaction, Six Sigma might be a beneficial program to ensure that your shop is running as smoothly as possible.

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Mortgage loan servicing has long been the “bread and butter” of mortgage banking. Servicers have improved efficiencies and reduced costs, but have not yet leveraged the benefits of Six Sigma.

By examining the reasons behind some past failures, reviewing perceived obstacles and examining innovative solutions, loan servicers can easily embrace and implement effective Six Sigma quality programs.

Here are some of the obstacles associated with Six Sigma, and their solutions:

It requires dramatic and lengthy corporate culture change. Successful organizations often do not want to change the corporate culture that has made them successful. Even those acknowledging the need for change are concerned about their employees and the stringent process and data-driven environment that they think will be required as part of their Six Sigma implementation.

Solution: An effective Six Sigma solution exists for companies not looking to change their corporate culture. Even those wishing to effect a corporate change can do so as a result of implementing Six Sigma on a functional basis. An initial business and process baseline assessment will identify specific areas that may be improved through Six Sigma. The Six Sigma team can then work through each functional area as time and expenses dictate. Each success leads to new functional areas identified for implementation and, eventually, an

overall corporate implementation.

It requires excessive management participation. Management fears that excessive time will be required to implement Six Sigma. In addition to their



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employee management duties, today's managers are working managers, replete with their own duties. Managers already work well over 40 hours per week without the added demands of Six Sigma implementation.

Solution: Management participation is necessary, but dire predictions of excessive time requirements are dramatically decreased with an effective team. Whether third-party or internal, this team is able to accurately quantify and communicate needs and utilize management's time efficiently. The results of Six Sigma often offset the time that management has to sacrifice now and in the future.

It requires excessive employee participation. Management is responsible for divisional performances and bottom-line profitability of cost centers. Employee levels have been streamlined for optimal performance and cost efficiencies, with little excess time available for employees to participate in lengthy meetings and work that does

not contribute to overall job duties.

Solution: Successful Six Sigma implementation requires participation of those actually doing the job. It promotes employees' communication with leadership. The results of Six Sigma directly benefit participating employees and, ultimately, management by providing positive impact to bottom-line profitability. Six Sigma establishes a framework that provides employees with direct participation in the way their jobs are done. Clerical-level employees are able to (and encouraged to) explain their processes in detail and provide ideas for improvement. A tangible boost in morale often accompanies Six Sigma implementation.

It is exorbitantly expensive. Servicing managers are held responsible for bottom-line profitability. Without the advantage that originators have with high-margin revenues, servicers maintain their profitability in a high-volume, low-margin environment by continually evaluating and reducing costs. Six Sigma is often seen as an extravagance little afforded by the cost-conscious servicer. In fact, this area of the mortgage industry is exactly where Six Sigma produces the most benefits.

Solution: By implementing Six

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Sigma on a functional basis, servicers can quantify and control costs associated with implementation while realizing profitability results to offset these costs. Employee costs, often the biggest budget item for servicers, are frequently reduced as process improvement is deployed throughout the organization. Employees can be effectively allocated to other areas of the organization needing personnel or to business development and growth areas. Little cost risk is taken to begin a Six Sigma focus group. The methodology is proven, and the tools and techniques are mature and flexible enough to guarantee success in improving overall profitability.

It exposes corporate secrets. Even the best-run operation has its

share of miscues and maladies. In intimate detail, every servicing manager knows the mistakes that have been made and the improvement needs that exist. It is often difficult to allow outsiders to see these issues and, further, to help improve them. Examples of this can be seen during an audit or a due diligence review for a sale. An adversarial atmosphere develops as “dirty laundry” comes to light.

Solution: Six Sigma focuses on identification and improvement of the actual process itself, removing any personnel blame. “Dirty laundry” is simply a breakdown of the process and, therefore, any stigma associated with errors or customer dissatisfaction disappears. Six Sigma promotes positive identifica-

tion and reasserts continual process improvement. Management succeeds by allowing processes to be identified and improved.

Servicers can choose to implement Six Sigma on a corporate level or on a departmental/functional level. Customer service, default administration and vendor management/selection are just a few of the departments that can benefit from a targeted Six Sigma program.

Six Sigma complements existing efforts of service improvement. The approach maximizes process efficiencies, focuses on customers, reduces costs and improves transaction times. Simplified and revealed as a tool to enhance servicers’ overall operations, it can be a natural expansion to continuing improvement efforts. **SM**