Too many systems and handoffs: Rethinking secondary market operations

The rules for competing in the secondary market are changing.

Presented by

National Mortgage News

Partner Insights from

SitusAMC

“Market competition is no longer solely about price,” says Mike Margolf, Senior Managing Director of Lending and Capital Markets, SitusAMC. “Today, winning is about operational efficiency, agility, certainty of execution, and the ability to synthesize data and securitize assets safely while maintaining clear audit trails and rigorous governance.”

“Market participants who fail to invest in modern, easily integrated, scalable technology will become less effective and be left behind,” Margolf adds.

Several market trends are accelerating the need for operational efficiency and agility. While strong housing fundamentals provide support for underlying collateral performance, persistent inflation and U.S. fiscal pressures are keeping the 10-year Treasury yield elevated, secondary market volatility high, and mortgage rates above 7%.

Changes within the Federal Housing Finance Agency (FHFA) and the need to access assets in the non-agency market are also reshaping the secondary market. With investor demand outstripping supply and pressure to create efficiency and confidence in recurring transactions with counterparties, M&A activity is increasing.

Together, these market dynamics are increasing the demand for actionable real-time data, whether that’s to support loan acquisition or risk management or servicing oversight or capital allocation.

One integrated ecosystem. Greater value

Many organizations have invested in systems that perform specific functions well but operate in silos. For example, mortgage organizations often have loan data, transaction management, reporting, and operational processes spread across different systems and teams.

Siloed legacy systems and data fragmentation result in multiple versions of the truth, forcing teams to spend significant effort and valuable time on reconciliation in a very dynamic secondary environment.

The answer isn’t necessarily to rip and replace legacy technology. Instead, organizations can create connectivity across their existing ecosystem through standardized data models, interoperable platforms, and technology that can aggregate information from multiple sources while maintaining data quality and governance.

“We see increased interest in solutions that provide an integrated view of assets and drive data quality without requiring a complete technology overhaul,” notes Margolf.

Building flexibility into the operating model

Integrating technology and services allows organizations to build scalable, flexible operating models that can adapt to changing market conditions, reduce the friction of managing information across disparate systems, and consolidate data from across all available sources, including seller, due diligence, servicer, and collateral assets.

"Flexibility is a strategic necessity for secondary market participants," says Margolf. "Participants can achieve that flexibility by partnering with firms that combine technology, managed services, advisory expertise, and operational support."

Flexible technology should allow organizations to configure their software to match strategy pivots rather than be forced into large scale technology replacement projects, permanent staffing commitments, or rely on a vendor or internal technology team.

AI brings speed, scale and accuracy to the secondary market

AI is rapidly moving from pilots to implementation. Use cases include document classification, data extraction, collateral review, quality control, exception management, automated workflows, and portfolio analytics.

The greatest near-term value, however, comes from augmenting rather than replacing human expertise. The most effective AI implementations pair AI capabilities with subject matter experts, helping secondary market professionals make better, faster decisions while maintaining appropriate oversight.

Success requires more than deploying AI. It requires bringing process, data, and decision-making governance together with clear controls around how data is accessed, analyzed, validated, and used. "AI-embedded workflows can reduce friction in the asset lifecycle," explains Margolf.

AI also has value as a system integrator that brings sources of data and information together and uncovers inconsistencies.

Building the secondary market of tomorrow

The biggest opportunities for secondary market participants lie in building greater data transparency, operating model transformation, and connected ecosystems. Greater access to high-quality, actionable data can improve decision-making, strengthen risk management, and create greater operational efficiency across the asset lifecycle providing a strong foundation for workflow automation.

Ultimately, integration isn't about replacing every system. It's about making the systems organizations already have work better together. Connecting data and workflows across existing platforms can reduce silos, eliminate unnecessary handoffs, and create a more unified view of assets and transactions.

"The most successful firms will create connected ecosystems linking origination, due diligence and capital markets and use partners that provide specialized operational capabilities and AI-embedded workflows," says Margolf.