Life in the Cloud
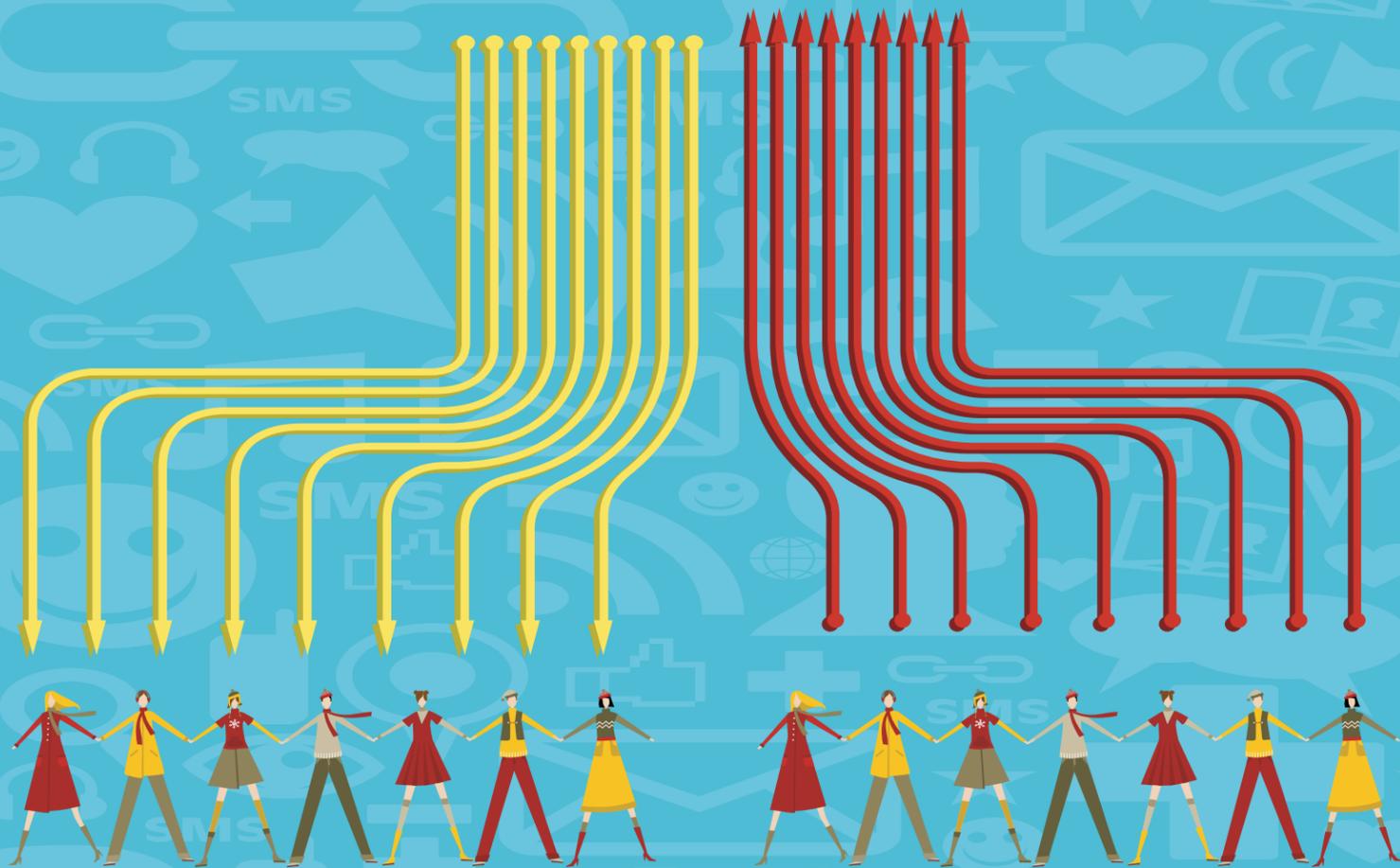
Those of us with some experience on this topic understand that the only thing new about cloud computing is the term itself.

Many people in the mortgage industry today are hearing and reading about cloud technology without having a clear understanding of what it is and what it means for their business. All they know is that "the cloud" is where they need to be.

Those of us with some experience on this topic understand that the only thing new about cloud computing is the term itself. The Internet, in fact, is itself a "cloud." So is the local power company. And yet, cloud computing does describe a very real thing happening – albeit slowly – in today's mortgage industry. We have the potential now for anyone in any organization to be able to access all the tools and data they need, at any time, from anywhere, on nearly any device, without the concerns of owning, updating, maintaining and supporting expensive software applications. This is, in essence, what happens when you move your business into the cloud. I know, because I've seen it firsthand.

By Martin Williams

When I started my own mortgage company back in 1995, Millennia Mortgage, I knew technology would play a major role. The predominant business model at the time was staffed independent loan agents in a regional office, sourcing business on their own. Our focus was on cash-out financing via 1st and 2nd TD loans. These types of loans were highly valued by the customer, easy to explain, and could be processed with relative ease. By deploying a marketing campaign consisting largely of direct mail and radio ads, we recommissioned our sales agents under a call center structure, fielding incoming phone calls from across the country, qualifying borrowers over the phone, and processing by mail and fax. We had effectively adopted the model of "loans-by-phone" across state lines.

We first looked toward employing customer management and origination tools. Of course, there were plenty of mortgage software offerings and loan origination software systems to choose from, but none of them focused on the contact

tacts. Equipped with a college education in computer science, I started programming. I actually created our contact management software myself in Microsoft Access, as well as creating many of its design elements. (After a year and a half of this, however, I started hiring contractors – they were simply better than I!)

While we were developing our contact management solution, we began encountering another problem with the loan origination software we were using at the time. After we ran a borrower's credit, there was no way to integrate the results into the loan origination software – someone actually had to type in all those credit card balances. By 1997 we had had enough, so we built a software module that allowed our staff to order credit and have the results integrated with our loan origination software. Streamlining this single task measurably improved our workflow, and helped define a company culture of innovation. Throughout our history, we embraced technology as a means to refine workflows, increase turn-times, create

dors, which created additional efficiency and time savings.

Piece by piece, we were creating from scratch all the major components of the mortgage production chain. At every step along this development path, we knocked down one inefficient task after another, shaving precious time off the mortgage production process while creating company-wide transparency

By 2003, Millennia had grown from a mere startup to a robust company employing over 125 employees producing 400 loans a month. It was around this time where we began our migration to a virtual, paperless office engaging Citrix, the leader in desktop virtualization. Citrix allows businesses to virtualize both the server structure and the user experience. By centralizing our hardware and software in a securely protected co-location facility, we broke free of the physical constraints of traditional IT infrastructures and office space. Empowered with our proprietary electronic document management system, our staff could now login remotely from home or a laptop, have the identical user experience they'd expect while sitting at their office desk, but also have a client's complete paperless loan file callable from directly within the loan origination software. We had enabled any employee with an Internet connection and a web browser to perform their job from any point on the globe. By all accounts, Millennia was operating in "the cloud," so to speak.

This was right before the Orange County, California mortgage industry began experiencing explosive growth. The recession of 2001-2002 had set everyone back a bit, but by 2004 things in the mortgage business really started heating up. The competition for quality operations staff was extremely intense; the best were demanding up to $20,000 signing bonuses. By moving Millennia to a paperless, virtual environment, we didn't have to rely solely on the Orange County labor market. Our operations were now cloud-based and no longer tethered to a geographic location, which

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management or customer relationship management (mortgage CRM software) component of the sale. At the time, even generic stand-alone CRM tools were in short supply in the industry. There was ACT!, which many of our competitors were using, but we knew its limitations first hand, especially when it came to integration with loan origination software.

That's when we began taking steps to develop our own loan origination software, which later would become our VCO Lend product. Initially, however, it began as a mortgage contact management application. Millennia was soon doing a large amount of volume with an average application pull-through ratio above 20 percent, and we needed a system that could manage all those con-

transparency, enhance customer relations, manage costs and ultimately yield a much better bottom-line.

Our next step was developing marketing campaign management and lead distribution tools. Pretty soon we had assembled an in-house software development team and were building custom loan origination software straight from the ground up. Around the same time, Millennia Mortgage moved to mortgage banking, so we began building tools within the loan origination software that would enable us to effectively manage all aspects of banking. Gradually we added business intelligence, workflow management, and business rules that governed security and data integration. A further step was integrating our system with third-party ven-

meant we could hire anywhere. Aided by cost-of-living differences, we could bring on high-quality personnel living in places like Minnesota at a fraction of the price.

At the same time, our evolving technology platform allowed us to parse out our loan workflow with such refinement that we were able to contract out more and more work. While our competitors muddled with conventional linear workflows that were labor intensive and high cost, we were able to automatically assign tasks commensurate with pay grade, thereby maximizing the utility of highly compensated staff. For instance, business rules and queuing logic within our loan origination software system ensured processing assistants received the bulk of the heavy lifting, while processors and underwriters could focus on work more in line with their level of expertise. Underwriters

and assistants were hired on a contract basis, and paid on a per task basis, to engage at times of peak production, effectively responding to production backlogs and keeping turn-times inside of 24 hours. Our self-assigning queuing technology would email contractors, enticing them with variable bonus incentives that were tracked, reported upon and tallied for payroll accounting.

In a 24/7 environment, contractors could work on their own time and didn't have to quit their day jobs – they could work at night from home. By staffing with full time employees to meet production lows, and engaging contractors to manage the surges, we achieved a high level of staff-production utility. Everything – all the data, documents and software – stayed on our system. The underwriters couldn't download anything or print anything. They didn't need to. When the

underwriters' analysis came back in the morning, everything was stipped out, and the checklists and findings were handled by our processors and assistants. Everything happened electronically.

Meanwhile, each Millennia ops staff member had his or her own pipeline management screen within the loan origination software system. At a glance they could quickly see what needed to be done and done first, whether it was requesting a demand, ordering an appraisal, opening up title and escrow, signing off on a satisfied condition, or anything else. At the same time, our assistants, configured into three levels, would track down the multitude of conditions on a file, including making borrower contact for outstanding key documents, a benefit the sales agents truly appreciated. Our development of task and file queuing, empowered with paperless, allowed us

to move away from the linear structure of file management so multiple people were able to work on the same file at the same time. This created even greater staff efficiencies, because there was less waiting around for something else to happen before someone could get to work on the file.

In 2004 we embarked on the last key component on the underwriting side: an automated underwriting and pricing engine. Fortunately, one of our investors, GMAC, granted us a large sum of money to invest in this technology. We interviewed all the prevalent vendors at the time, but rather than lease their technology, we opted to purchase the code and further engage them to build our first generation AUS just the way we wanted it, completely integrated with our proprietary loan origination software.

With exceptional ease, we could take a borrower profile and come back with all the different loan programs that the customer qualified for, stacked, conditionally approved and priced side by side. Once a loan product was selected, it was downloaded into the loan origination software along with the loan terms, end price, and a conditional loan approval. Callbacks to the AUS were facilitated at the click of a button, enabling underwriters to routinely validate approvals and pricing in the midst of guideline and pricing changes. Approval certs were produced and loaded directly into the paperless loan file, while automated AU integrations for certification were maintained with key industry investors.

What were the results of implementing a virtual "cloud?" These innovations, over the course of an 18-month development and implementation period, ultimately shortened the loan life cycle by 40 percent, reduced the costs of operations staff by 35 percent, doubled loan volume, and improved profitability as a function of basis points by 33 percent. Loan agents were thrilled with turn-times and accountability, customers were happy, underwriters were satisfied with controls, processors were funding over 100

About The Author

Martin Williams is CEO of Laguna Hills, California-based Acris Technology, the company behind Mortgage VCO, a full suite of cloud-based software applications and business support resources for the mortgage industry. Mortgage VCO was designed to reduce IT complexity and expense, while adding instant scalability and increased operational efficiency, visibility, regulatory compliance and control over every aspect of a mortgage banking office. Mortgage VCO provides everything necessary to run in the cloud.

loans per month, managers could lead, and everyone was making more money.

By 2005, 60 percent of Millennia's operations staff were working remotely from home, plus 20 percent of our sales force. We had grown to doing business in nearly every state and had a fully-integrated advanced call center telephony solution. We were one of the first companies to develop electronic loan delivery to secondary market investors. And from all the evidence we could gather, Millennia Mortgage had become the first end-to-end paperless mortgage banking operation in the industry. While we didn't call it that at the time, without our "cloud" technology, none of this would have been possible.

By the time Millennia shuttered its lending operations in 2007 – an event tied directly to market forces – the company's staff of 250 people were producing upwards of 800 retail loans a month. Regardless of Millennia's fate, I knew, as did many of my colleagues, that we had something special with our technology. Acris Paperless Solutions started out in 2005 as simply an electronic document management company, and in 2011 we changed the name to Acris Technology, incorporated all of Millennia's technology, and launched Mortgage VCO, a comprehensive and affordable suite of cloud-based, mortgage office management products available to lenders nationwide.

So while I'm no longer running my own mortgage company, I'm passionate about helping other lenders realize the full benefits of cloud technology. You might imagine that when I talk to these lenders, one of most compelling things I can say is that I've lived in the cloud myself. And let me tell you, the view from up there is amazing. ❖