



Benefits of a Cloud-Based Office

This article describes some practical benefits of a fully cloud-based office to the C-Level mortgage executive.

By Martin Williams

In last month's article titled "Life in the Cloud," I told the story of how my company, Millennia Mortgage, evolved into a fully cloud-based, paperless mortgage banking operation over a period of several years. Our employees, contractors and vendors all worked together seamlessly to process more loans in less time and expense than we ever before thought possible. We were working "in the cloud" before ever hearing the term.

“The cloud” and all its many iterations and descriptions can be easily misunderstood. The confusion that continues to revolve around the cloud is keeping many mortgage companies from reaping maximum benefit from the refinement of cloud-based technology that is now available with minimal capital outlay and a nominal monthly cost per user.

This article describes some practical benefits of a fully cloud-based mortgage office to the C-Level mortgage executive. After reading this article you will better understand why I am such an evangelist for the cloud.

Leverage the Cloud to Grow Your Business Cost-Effectively: I used to always say “growth eats capital for breakfast,” and every CEO wants to know what, and when, the return on investment is going to be. Deciding to ramp up aggressively to meet demand can be risky. Recruiting and hiring qualified staff, training, agent licensing, marketing, new office space, workstation build-outs, software investment, hardware, and planning,

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takes time and money. The conventional approach is entirely front-loaded: lay out the capital first, then hope and pray for rates to hold while you realize a return on investment.

In a cloud environment, your capital exposure is reduced so growth strategies can be looked at more on a variable cost basis, making your organization nimble and flexible, opening new doors of opportunity. Let’s look at a few examples of how this plays out in the real world.

Manage Virtual Call Centers in the Cloud: Starting and growing a call center takes planning and time as you know. It can cost up to \$7-8,000 in hidden sunk costs to properly outfit a retail call center employee. There are workstation, hardware, software, and network infra-

structure expenses, plus long-term lease liabilities to contend with. In this tricky environment it’s getting harder to commit to that level of investment.

With a cloud-based call center, virtualization and remote login effectively eliminate many of the costs and delays of expansion. Eliminate long-term liability for office space and equipment. Eliminate sunk costs for hardware and software licensing yet build out a call center practically overnight. Staff with virtual sales, ops and support staff, train them online, and stitch them all together with a single multi-function, collaborative cloud-based LOS, that tracks, controls, facilitates and rewards. Should market rates rise rendering the model cost prohibitive, scale back, cut and regroup without incurring long-term expense or loss of capital.

Use the Cloud to Expand Your Branch Network While Keeping Complete Control Over Your Team: Let’s say you’ve focused your efforts on purchase money business with outside loan agents. Since purchase loans are most effectively

sourced at a regional level, it’s critical to equip your sales agents with effective tools at the point of sale. They need reliable product picking and pricing, quickly and easily from anywhere, on any device, at any time. They need support staff that’s accessible and responsive, and a reliable, collaborative means of communicating with them, in addition to borrowers and third parties. They need to produce accurate quotes, comparisons and disclosures quickly and easily and be empowered with information and tools, yet not be chained to a desk.

Traditionally, to accommodate a high sales support structure, processing and even underwriting were pushed down to the branch level. Such a decentralized model has many inherent costs including

larger branch office space, local network build outs, local IT, hiring and training challenges, and staff utilization inefficiencies. Branches lacking the social and technology ties to corporate develop their own sub-culture, may run afoul of corporate policies and procedures and often present a substantial compliance risk.

In the cloud, it’s easy to consolidate and run one system company-wide, eliminating runaway costs, incompatibilities and IT management headaches. It’s the perfect solution for an increasingly virtual mortgage workforce. All employees experience the same look and feel on the network, whether at the branch, home or at corporate. Company culture is now influenced, maintained and controlled globally and centrally. IT services are now served up on demand, replacing expensive on-site IT staff.

With the right cloud-based loan origination system in place, you can manage the entire loan life cycle, empowering each department with all the tools they need to perform their jobs and reporting comprehensive metrics in real time, in a consistent format across the enterprise. The system can be complemented with a collaborative communication mechanism, an easy to use document management system, and task queuing logic that drives efficiencies by enabling departmental load balancing of staffing.

The Cloud Was Built for Scalability... Up or Down: One constant we can depend on is that the mortgage business will always be in a state of flux. Rates are down right now. But they will go up! If your business is largely refinance right now, like 80% of the mortgage industry, your business model will most likely change dramatically some time in the future.

In a traditional brick and mortar business model, it’s almost impossible to scale up or down quickly and cost-effectively. While no company can afford to miss out on a refinance boom, they can neither afford to be strung-out if rates bump up 200 or even 100bps. An entire business model can be rendered broken, and a pipeline useless, practically overnight.

In the cloud, you can turn fixed costs into variable costs. Scale your organization up or down quickly, and correlate costs with production. Under a software subscription arrangement, you can tie network and software costs to employee (or loan production under certain negotiated terms). Employee count typically has a direct correlation to production. In the cloud, you are as nimble as you choose to be. Adding or subtracting agents and support staff is easier.

Managing Regulation With the Cloud: The mortgage industry has received more than its fair share of regulation lately, and surely there is more to come. Mortgage companies can benefit from tighter controls and better management of their data. A decentralized data structure sourced on a multitude of platforms, daisy-chained together, increases data integrity and compliance risks. The case for easily and

cost-effectively getting all your systems “on the same page” has never been more critical than now.

The regulatory stakes are much higher today, and the consequences much more severe, so much that mortgage companies are preoccupied with compliance. A case in point for recent regulations is the introduction of the Call Report, a quarterly reporting not just on funded loan production, but on all origination, submitted quarterly in data format. It’s this information that regulating entities are using to hold mortgage companies accountable. All of the sudden, origination data regardless of outcome is terribly important and must accurately reflect physical file representation. Corporations need to rein in branch staff and agent behavior now more than ever before. The cloud, empowered by the right LOS enables everyone in your organization to get on the same page, playing

by the same rules.

Obstacles to Cloud Adoption: So if the benefits are so great, what’s keeping lenders from adopting the cloud? While the primary purpose of this article is not to focus on the obstacles, I thought it would help to quickly address a few of the bigger objections I encounter.

Lenders think cloud solutions are expensive and difficult to implement: The reality for our company was that the cloud actually reduced our expenses across the board. I recognize that every business is different. To some degree it depends on the age and condition of existing equipment, condition of legacy IT infrastructure, in-house IT expertise, existing software, etc. While the variables are numerous, most of the guiding principles behind migration to the cloud are consistent, across just about all businesses. When performing your analysis, make sure you consider

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all your “hidden” expenses. Once we had our cloud in place, we experienced reduced costs in our utility bills, software upgrades, setup and provisioning of new employees, internal and external IT expense, server equipment purchase, installation and maintenance, supplies, etc.

Lenders fear putting data in the cloud will compromise security: There’s no doubt this is one of the biggest fears of moving to the cloud. But the reality is the data center environment in the cloud is more secure, more reliable and better suited for disaster recovery and security issues than any IT room located on the premises of the average or even of most large lenders today.

An optimal security solution is one where the best security technologies can be continuously deployed, and to vigilantly protect networks and transmissions, using the best digital security specialists. Few in-house IT departments can afford the level of security that is deployed in the cloud. In a cloud environment, every element of the network is better protected by layers of security measures such as redundant servers and frequently updated firewalls that also ensure high availability.

Add to these measures the controlled access by authorized, and trained personnel using managed permissions for trusted groups, and the chance for human error and security breaches goes down greatly. Access can be granted or revoked immediately. Even the programming team has limited access outside of their area of responsibility.

Also, within a cloud structure, new companies in mergers and rollups can be assimilated into the parent almost as easily as a new user, without IT workarounds and patches that create potential security leaks

Lenders fear change...letting go of legacy systems “that work” in spite of inefficiencies: While security concerns are valid, and it’s quite easy to overcome the expense argument, this one issue will probably keep more lenders from adopting the cloud than any other reason.

First, there is a valid consideration that needs to be made regarding your corporate culture. Would you characterize your organization as progressive or innovative and open to change? One of the biggest misunderstandings when performing any migration is how to manage change. If properly planned and carefully communicated, the process can be smooth and relatively uneventful. But without a certain level of change leadership, the process can be painful and even devastating to the productivity and morale of an organization. If your people are prepped properly for the change, it can be accomplished in significantly less time and hassle than one that is not.

When we first went paperless, I had staff that were kicking and screaming. Then it started to die down. The chatter faded and things got really quiet. About a month later, I started to get these emails – we had created raving fans. Time and time again, they came up to me, saying, “I’ll never go back to paper.”

The Path to the Cloud: So just how does a mortgage lender migrate to the cloud? This is a question that can’t be fully answered here, but I believe one of the most important elements of a successful migration is to have experienced professionals lead you through the minefield that have successfully navigated the process within a lending environment. An experienced vendor that has experienced all the issues first hand will save you countless hours of pain, and thousands of dollars in misfires, lost time and productivity. Here’s the migration process in a nutshell:

<<<< Start with an assessment of your existing operations, systems and software

<<<< Carefully choose the right cloud vendor based on capabilities and experience

<<<< Create a detailed implementation roadmap both for migration to the cloud, and migration to paperless processing (paperless enables a cloud environment)

<<<< Present the vision and goals to management and staff

<<<< Get mid-management buy-in

<<<< Migrate in stages, starting with virtualizing the desktop

<<<< Stay the course - It’s worth it!

No doubt the cloud is here to stay and it’s changing the way business gets done in every sector. I can tell you from personal experience that the cloud is more beneficial to the mortgage industry than most other business processes I know of, primarily because a mortgage office thrives in a paperless, virtual, collaborative environment. While many other business models may do just fine with Google Docs, a CRM and a good email server, the mortgage industry is unique in its need for collaborative and automated loan processing, CRM and document management systems that communicate seamlessly with each other, your employees, contractors, telecommuters, vendors, and third party services, regardless of their physical location. It has to be secure, dependable, available on demand, and cost effective. The cloud is perfectly suited for this type of environment. Because of the questions that must be answered before making the leap to the cloud, we’ve developed a product called VCO Airlift, a 17-point evaluation system that walks you through the process of converting your business to a fully cloud-based infrastructure. Learn more at www.MortgageVCO.com. ❖

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.

