

# ARE YOU READY FOR THE FUTURE?

Seek out the **next market competitive edge** of advanced EDM.

**T**he World of Tomorrow was a forward-looking exhibit at the 1939 World's Fair in New York that tantalized visitors with its vision of a tedium-free world. This, of course, didn't happen, and the world shortly became immersed in World War II. The subsequent World's Fair on the same spot 25 years later was also filled with futuristic optimism and it was so successful that it was held over for an additional season.

In addition to giving us "It's a Small World," GE's "Carousel of Progress,"

**By Keven Smith**

and other exhibits that found their way to Disneyland later, it featured a video phone booth that connected New York to the happiest place on earth in far-off Southern California. To those who tried it, the technology was incredible – but they hadn't yet even been exposed to Captain Kirk's communicator, much less having instant global communications on our personal pocket telephones. It's just one stunning example how technology innovations that seemed absurdly futurist today have a way of cropping up in our daily lives tomorrow.

In our mortgage World of Tomorrow, few sectors have experienced the futurism we have seen in the LOS business. The bar has been raised so many times over the last decade that the state of the art back then seems quaint today, the same way the 1939 “future” looked to people at the 1964-65 event, held on the same site adjacent to the brand-new Shea Stadium. We don’t have quite the machine-age Utopia promised back in ‘39, but we have learned a great deal about automating mortgage creation in the last 72 years.

Paperless is good, in fact it’s great. Eliminating paper does great things for the environment and has immediate impact on organizations’ ROI. Some estimate savings as high as several hundreds of dollars per loan when paper can be eliminated from the loan process, at least until it is time to sign documents at closing. At the height of the last refinance boom, entire forests were being consumed to provide the ream (or more) used in each of the 13 million or so loans being made, and all that paper required tremendous amounts of water and fuel to produce. Transportation, handling, storage and all around waste cost the business even more, not to mention the potential for identity theft and other security issues that paper involved. Almost as quickly as it got here, however, paperless became passé in the

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sense that while good, it wasn’t enough of a leap to encourage widespread adoption. Softwares had to be created to allow electronic documents to be used more readily, and LOS platforms were evolving to make that happen. The modern LOS made paperless production possible by keeping most loan information in a single place, but it wasn’t until electronic document management (linked with imaging) became available that the authentic paperless age was upon us.

EDM lacks a hard and fast definition, but it basically implies that a paper file no longer is necessary. Imaging is a concept that made it feasible, but it wasn’t that long ago that imaging happened more on the back end of the process, for audit and archiving purposes. Paper loans were still made, copied and shipped – and then imaged into an electronic system while paper files were sent to investors. Even then, lenders weren’t paperless: ask a quality control auditor working for a good sized lender in 2005 and you might hear stories about re-printing files for audit purposes because it was easier to handle. We routinely had situations where paper files were created, then imaged, then sent to investors with copies stored offsite – only to be printed once again for QC reviews. EDM and front-end imaging largely put an end to that, but there were still a lot of gaps in the process of managing files electronically.

Much has changed in the last few years. Many of the mid and upper tier lenders have disappeared and consolidated for various reasons, among them the inability to sustain efficient processes. Electronic document management in its earlier form was not enough to make a game-changing difference for those mortgage firms, and it required substantial refinement (and investment) to bring origination processes to the next level. The emerging, advanced

versions of EDM are ever more digital, labor saving and useful to lenders. More importantly, their capabilities are more accessible than ever to a broader range of lenders as they become integral to LOS systems. It is no longer necessary to bolt them on to existing platforms and invest heavily in integration, making it possible for mid-market and smaller lenders to afford them with surprising ease.

Consider what this means at the front lines of lending in the competitive world

of today; it is difficult not to be impressed. In a nutshell, having the modern LOS able to deliver next generation digital document management means that even smaller companies can have origination technology that rivals the mega-lenders. They can benefit from the cost savings of electronic, paperless, automated loan creation without requiring large IT departments or a budget the size of the Yankees’ infield’s to support them. Many lenders, particularly community banks facing stiff competition from their big box competitors, were unable to match the service levels provided by the mega-banks’ custom-built technology. With the remarkable strides made recently, however, they are actually able to outperform their largest competitors in several ways.

First, they are able to leverage their hometown image with immediate responses from either a borrower portal or from a live person; borrowers aren’t forced to go online or talk to a faceless loan officer on an 800 number. Second, smaller banks can offer secure websites that allow borrowers to check status day or night and know what they need to do without making phone calls. In the economy-sized loan department this is a huge win, and digital document management keeps files current and well managed. Third, closings happen faster because the LOS system isn’t clogged with mega-lender numbers of transactions. Process teams handle more loans more smoothly, and the overall borrower experience is enhanced, leading to referrals and recommendations from customers at weekend barbecues.

It seems fitting that we find a new term for the evolving state of electronic document management, a technology from the prior decade. While it is electronic, the term sometimes gets confused with the true e-mortgage, which uses electronically created and never papered-out notes and trust deeds. We think of the advanced EDM capability as a wholly digital one that automates, or permits to be automated, many more aspects of the loan process. It has evolved significantly.

One of the things we first noticed

when Mortgage Builder rolled out its new advanced EDM was how strongly clients reacted to electronic file delivery, automatically arranged in the investor’s preferred stacking order and sent with a single click. Clients had been paying third party providers for lesser versions of this service for years, and these days it is simply included in the advanced EDM option. Other improvements that comprise advanced EDM allow documents that arrive electronically to be recognized and categorized, then be sent to the appropriate electronic loan folder. Workflow engines notify users of documents in their work queue and they are ready for review and needed actions. Those arriving in paper form can be scanned directly into the system using desktop scanners or existing digital copiers – no large equipment pur-

## ABOUT THE AUTHOR

Keven Smith is president and CEO of Mortgage Builder Software, the Michigan-based developer of advanced LOS systems that has been among the leaders in its field for more than thirteen years. Smith has more than 20 years of experience in mortgage technology and has been a member of Freddie Mac’s Vendor Advisory Board, the Mortgage Bankers Association’s Residential Technology Providers Forum, and the Michigan Mortgage Lenders Association.



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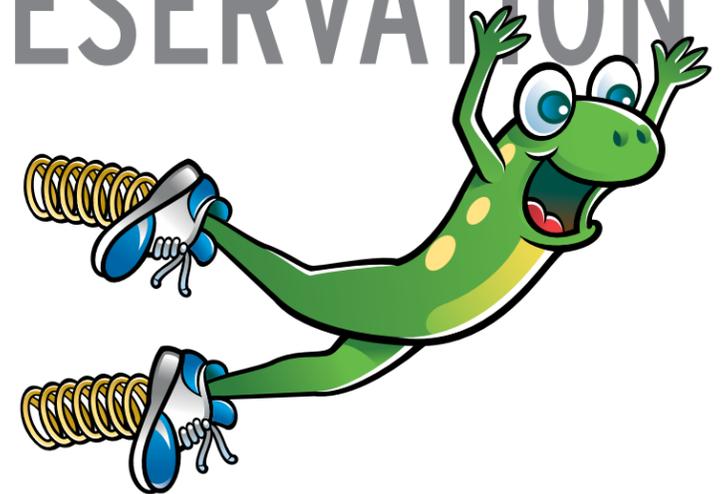
Along with the many tangible benefits of advanced EDM, it and other improvements in the LOS provide another benefit less often considered. By having technology that makes the loan process intuitive, simpler, more efficient and accessible, the mid-market and smaller lenders can compete for the best talent. The better originators and loan operations staff desire to

work at places that support them with the best technology and they will give preference to employers that offer it.

For almost all mortgage lenders, the best technology means the completely modern, fully equipped, efficiency-based loan origination system with advanced EDM. A far, far cry from the PC-based LOS so prevalent a decade ago – it’s the world of tomorrow, today. ❖

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