



Now that the industry has moved to  
**Mark Phlieger's** way of thinking and  
embraced the Web, *what's next?*

# trend setting

## Executive Interview

**M**ark Phlieger was among the first to evangelize on behalf of Web-based computing when he launched Avista Solutions. Now his thinking has gone mainstream. The trendsetting company celebrates its 10th anniversary. Avista celebrated other milestones and added a record 37 new customers in 2010, comprising 20 community banks, totaling \$12 billion in assets, 10 credit unions and seven independent mortgage bankers. On March 25, 2011 there were 63,000 active B2B user accounts across Avista's customer base.

Other milestones include Avista relocating its corporate headquarters to Charleston, South Carolina in July 2010, a city that Phlieger said offers much support for the technology industry and cultivates high quality talent. Since signing on its first customer in 2001, Avista Solutions has: processed more than 100,000 loan applications in one month, reached a 28-day implementation time record. Mark Phlieger talked to us about what happens next now that the Web has gone mainstream.

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**Q: As we see more institutions with depositories like community banks and credit unions enter the mortgage space, are you noticing that the bulk of your new clients are these types of institutions?**

**MARK PHLIEGER:** Yes, absolutely. We signed five banks this month. The market has shifted to depositories doing lending. What we're seeing is mortgage bankers combining with these depositories. Also, it's important to remember that banks are heavily audited, so when we talk about the differences between a bank and a mortgage banker, the banks are heavily accustomed to regulation. That is not an insult to the mortgage banker, it's just that the banks are more used to being under regulatory scrutiny.

In terms of the sales cycle, they are longer these days. How long? Credit unions have the longest cycle, banks are in the middle and the mortgage banker is the shortest. We love dealing with community banks and credit unions.

**Q: Recently the MBA revised down its origination volume projection for next year. Originations are expected to be at their lowest point in 15 years. How do lenders and vendors survive this market?**

**MARK PHLIEGER:** Less volume means that we have to sign more customers. We are signing four or five a month, but hope to move that up to seven or eight as volume falls. Right now our largest customer is only 4% of our revenue. Our goal is to have a lot of customers in the small and midtier market.

There's a general attitude that there is rapid change going on that we have to deal with. Banks know that they have to generate fee income to make up for

## INDUSTRY PREDICTIONS

*Mark Phlieger thinks:*

**1** You will continue to see expansion in vendors providing a cloud-based, all-in-one model.

**2** Mobile applications will continue to explode. People want information anywhere, anytime.

**3** Compliance and data quality will continue to be a focus, as it should, in mortgage lending.

other revenue that they're losing, which is driving them into the mortgage market. They also don't want to invest in legacy technology where they have to invest in a heavy IT staff, servers, Citrix, etc. They want to plug and play. They want to go out and find their people and just turn on the technology. We've grown a lot in this down market because of our cloud-based model. They also like the all-in-one solution. They don't want to deal with 10 different solutions.

**Q: Avista celebrated its 10th anniversary this year. How has the mortgage industry changed in 10 years?**

**MARK PHLIEGER:** I had more hair and I weighed a lot less when we started Avista. Honestly, it used to be more go-go. It was all about volume, but now it's about quality and compliance. It's changed a good bit. There is a lot of opportunity for vendors that are interested in innovation and offering a top-quality tool. You want leading-edge technology so you are where the client wants to go.

These days we talk about mobile and cloud-based solutions. Your technology has to solve the problems of your client. For technology like that, I think there will always be opportunity.

**Q: Avista was among the first, if not the first, company to come out with a completely Web-based solution. Now it seems like the market is where you were 10 years ago. How does that feel?**

**MARK PHLIEGER:** It's nice to see. We were cloud-based before cloud-based was cool. We've been Web-based on Day One. Over the years it has gotten easier with Google and Amazon setting the bar for cloud-based products. We don't have to evangelize as much. On the downside, there is more competition, but that's ok because mortgage bankers are going to pick the product that best fits their needs. They want anytime, anywhere access. Just like we made the transition to everything Web, the next transition is to everything mobile. The reality is that I read and consume all my information on my iPad. That's where we're going next.

**Q: What does it mean to be cloud based?**

**MARK PHLIEGER:** Simply put, it's about delivery as a service instead of selling a product. Think about it this way, you don't care where the power plant is as long as you plug in your iPhone and it gets charged. We handle infrastructure, platform, etc. Once you sign with us we take you through implementation and set everything up for the client instead of giving them a box and saying: Here you go. It's a different model. We charge based on the closed loan instead of by the license. When the model is more like a lease instead of a license, there is an incentive for everyone to work together to make the business a success. You have to care.

**Q: There has been a lot of consolidation in the LOS space and that is likely to continue. Most recently we saw Ellie Mae acquire DataTrac. What do you think about LOS consolidation?**

## INSIDER PROFILE

Mark Phlieger is president and CEO of Avista Solutions, the Charleston, South Carolina-based creator of all-channel, Web-based loan origination systems. Co-founding the company in 2001, Mark has led Avista since its inception and has an impressive record of achievement in pioneering and development in the mortgage technology space. Mark was a team member on the Fannie Mae project that developed the groundbreaking technologies of Desktop Underwriter and Desktop Originator.



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**MARK PHLIEGER:** This was predicted and it will continue. The players that ran a desktop or client-server model will get consumed. This acquisition validates the cloud model. Speaking of Ellie Mae, you see in their quarterly reports that most of their revenue is coming from cloud-based products.

I believe there is a lot of opportunity to be independent and have a leading-edge platform. Avista is end-to-end and we've built everything. So we can compete well with any other LOS. You need a solid infrastructure to support banks and credit unions. You can also be more nimble when you're independent.

**Q: Avista also made headlines with its FHA Connection link earlier this year. How is that going?**

**MARK PHLIEGER:** We've always had clients that were heavy in FHA. We wanted to build a piece so that lenders doing FHA didn't have to leave the platform. We're committed to FHA and customers told us that this was important. FHA share remains substantial so we need to do everything we can to make it easier for our clients to originate an FHA loan. We've had a great response. We also enjoy working with FHA. FHA is very professional.

**Q: Continuing to talk about integrations, last year you did integrations with Kroll, Wolters Kluwer and Fannie Mae's EarlyCheck. What is your integration strategy?**

**MARK PHLIEGER:** It's based on what is required from a regulatory or delivery point of view. We also look to where we can

get efficiency for customers. Lastly, it's based on customer feedback. They tell us what companies they like to do business with. We put all that on the roadmap and partner with those companies. We will be live with UC DP within a month. It's important to make sure that customers have what they need. Integrations are also almost done with Genworth and LogicEase from ComplianceEase. You touched on Wolters Kluwer. We were the first end-to-end product to offer their Expere product. You'll see more closing doc integrations.

**Q: You talked about signing a record number of new clients last year. How is this year shaping up?**

**MARK PHLIEGER:** It's solid. We will best last year in terms of the total overall number of customers signed up and the total value of the contracts signed this year is larger as compared to last year. It is competitive, but we're seeing opportunity. It's important to understand what banks and credit unions have to do from a compliance standpoint. It's intense because they will make sure the vendor complies, but that's ok for us. We do well up against due diligence scrutiny.

**Q: So, what does the next-generation LOS look like to you?**

**MARK PHLIEGER:** It's about more access. People may be coming in from desktops, laptops, tablets, etc. In my opinion, the system also needs to be end-to-end and all-in-one. There is a focus on data quality. You need a common database and consistent process flow. It also has to be quick. The services also have to be baked in like credit, flood, compliance, fraud checks. Everything has to be based on Web services and MISMO XML to get that efficiency. We are a big MISMO supporter. It has been huge for us to reuse code to connect to more services. It's about technology and customer service coming together. You also need 24/7 access, redundant data centers and thinking through the whole mortgage model. If the vendor wants to be relevant you have to innovate to solve real business problems. ❖

