



# Conquering THE PAPER MONSTER

*There are a lot of hot trends going on in the paperless processing industry that lenders should know about.*

*By Eric Kujala*

It's been over 12 years since Congress passed the Electronic Signatures in Global and National Commerce Act. Many thought that this would change forever the loan origination industry.

While much has changed, the industry is still playing the waiting game — waiting for the majority of loan origination companies to realize the benefits of going paperless. And with the introduction of new developments like e-disclosure support and web-based loan origination systems (LOS), many expected the industry would have been completely transformed by now. But that is far from happening. Change is happening, but it's been evolutionary rather than revolutionary.

The following article looks at the reasons and trends occurring in the loan origination industry. So, why is the industry hesitating? Let's face it, paper is a great technology, but in reality it's not going anywhere. For those who are not using an imaging platform, paper will remain business as usual for the most part. There might be more questions around clean desk policies, security, etc., but paper will remain a feasible way to do business.

It's really the fear of the unknown. Our industry tends to be traditional. They know paper; they can see it, touch it. The thought of moving to paperless mortgages may seem overwhelming. But I can tell you from our company's own experience, once the fear subsides, it's a necessary and easy switch.

In order for the switch to happen we need more

education and increased awareness. In the origination world, it's all about being compliant. This is especially true because the technology reduces human errors and manual data entry. Also, paperless processing allows all documents associated with a loan to be monitored throughout the life of the loan.

Liz: Also, for most originators, it's really about time management and saving money. By reducing the time spent on each loan document package, originators can then focus their time on improving customer service, increasing loan volume and lowering their costs. And as Eric said, we continually look for ways to stay compliant. There are many new government regulations coming out and paperless technology tends to keep up with the ever growing changes coming from Congress.

So going back on how to have the industry embrace paperless, I'd like to add that the fear of security needs to be addressed. Originators need to realize that paperless mortgages are more secure than paper-based loans. Because electronic files can be encrypted for secure transmission and storage, this prevents any unauthorized access to the data. Also, with paperless, you can see what changes were made to the file, when they were made and by whom.

In the end, as more regulations are introduced, it will become increasingly difficult to manage the loan process in a paper environment. If you look at those companies that use paper in their workflow today and analyze their process, you'll notice they are doing a lot of work elec-

tronically already. For example, they get emails from borrowers, use efax, pull documents from a website, upload to investors, etc. Once they realize the work already being done electronically it will be an easy gap to fill in where paper exists.

The younger generation is obviously

If we're talking industry changes as a whole, I see more consolidation not only with technology companies, but with lenders, brokers, banks, etc. Even though there are fewer mortgage companies in the industry, the existing ones appear to be getting bigger and expanding their reach

17 percent of the mortgage companies are in the process of changing their LOS platforms. They are asking more and more of their technology providers to keep them in compliance and provide accurate business intelligence to manage their rapidly growing businesses effectively.

I think we'll also see a great deal of "work from home" employees — something our company is piloting. Without the worry of printing the documents, this opens up a whole new industry of employees — those who have a secure connection and a computer are able to work from home and collaborate and connect electronically.

The loan origination industry is definitely changing. It will be a much greener industry, with more home-based employees not driving their vehicles to work each day, less printing and copying of the documents and the elimination of mammoth warehouses. And with that, keep an eye on new technology designed not only for the industry, but also expanding into new territories. ❖

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more comfortable with and fully understands technology. When they move into management, they will be the innovators and risk takers. And I think innovators definitely tend to push the envelope. Remember when loan origination systems really hit the market? People used to hand-write loan applications 10–15 years ago. Now there is a very small population of loan officers that still do it that way. Eventually it will be the same thing for paperless workflows.

As we go forward, for the paperless documents industry, I believe new more advanced technology will be introduced. Also, look for the customer to be the focus. For example, during all of the regulatory changes over the past several years, many organizations' initial reaction was to add more steps to the "assembly line." This included the mortgage process to handle disclosure, re-disclosure, etc. Over time these trends have changed somewhat and companies are looking to minimize the customer touch points. In doing so they can improve customer service and hopefully expand responsibilities of the existing staff without having to hire in reaction to these changes.

For the mortgage origination industry, look for domino effect to take place. As people realize that paperless saves more than trees and time — it saves a great deal of headaches and money. For example, this will have a huge effect on disaster recovery regulations. Think about it, neither tornadoes, hurricanes or even fires will destroy paperless. We don't have to worry about keeping the real estate to house the documents safe from weather or fire.

geographically. This means the reliance on technology becomes even more important. There was a report not too long ago that

#### ABOUT THE AUTHOR

Eric Kujala is Vice President at DocVelocity. Kujala started at Flagstar Bank as a home loan advisor in 2002 with responsibility for originating new residential mortgage business for Flagstar Bank's Direct Lending department. In 2003, he was named team leader in the department, and in 2004 he was appointed assistant vice president, responsible for the entire Direct Lending sales team. In 2008, he joined DocVelocity, the flagship product of Paperless Office Solutions, Inc., a wholly owned subsidiary of Flagstar Bancorp, where he currently serves as national sales and consulting manager.



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