

A NEW LOS DICHOTOMY

AMID ALL THE LOS SHIFTS, KEVEN SMITH AND KELLI HIMEBAUGH OF MORTGAGE BUILDER DISCUSS HOW TO SUCCEED AND THRIVE AMONG ALL THE INDUSTRY UNCERTAINTY.

We've witnessed several big loan origination system (LOS) acquisitions this year. Most recently Accenture acquired Mortgage Cadence and D+H acquired Harland. So, what does it all mean? It means that companies realize that the LOS is the system of record and in order to succeed as a software company that caters to the lending space, you have to offer up your own LOS. For an existing LOS player like Mortgage Builder, they see this as an opportunity. Last year they acquired servicing system GCC and PPE and CRM solution LoanXEngine. These acquisitions were significant because the company is now the only software player suited to offer an end-to-end-to-end solution that goes from the point-of-sale all the way through servicing for midtier lenders.

Executive Interview

The other companies that offer this functionality cater more to the larger lenders. So, Mortgage Builder is well positioned to be the most fully-functional LOS for small and mid-tier lenders going forward. But is that enough to be a successful LOS these days? Mortgage Builder's President and CEO Keven Smith and the company's Corporate Vice President Kelli Himebaugh sat down with our editor to really define what constitutes a leading-edge LOS.

Q: Mortgage Builder spent over a decade developing and improving the company's LOS systems. What made the company decide to go into acquisition mode and obtain servicing system GCC and PPE and CRM solution LXE in 2012?

KEVEN SMITH: Being a privately held company has enabled us to make continued investments in developing our LOS, which in turn has resonated with clients and led to financial independence many public companies don't enjoy due to their need to keep providing shareholders with dividends. When our former parent, GCC, came on the market, it was a very natural fit for us. They had a loan servicing software system that was very well established and had many clients that were also Mortgage Builder users. The irony is that back in the 90s, GCC was already popular and the company was asked to develop a LOS that would harmonize with the servicing software. I was charged with building the LOS and it wasn't long after that Mortgage Builder became an independent company. When GCC's founder decided it was time to retire, the industry was in a place where more mid-sized lenders were looking at servicing their own loans. We had the financial ability to make a good offer and it has been a seamless transition to bring the companies back together. We've even shared the same building all this time.

KELLI HIMEBAUGH: LoanXEngine had a different story, of course. We had known about their pricing engine for a long time, but what really struck us

was the sophistication they brought not only to pricing and eligibility, but to CRM and lead management. Mortgage Builder, now with an integrated servicing platform, had the unique opportunity to be among the first to offer a true front end-to-end-to-end experience for users, enabling them to maximize the automation from customer contact all the way through to payoff, potentially decades later. LoanXEngine was the perfect front end technology to provide that missing piece, and our companies' cultures were already similar in several ways – we each had raving fans. Bringing the software together to form a harmonizing origination tool that is unmatched in the industry was too good an opportunity to pass up. Fortunately, Alan Johnson, LXE Software's founder and CEO, felt the same.

Ultimately, our acquisitions were more about creating a more powerful package for clients than they were about simply expanding Mortgage Builder's portfolio of companies. Both the servicing platform and LoanXEngine work independently of the LOS, but for those wanting the complete "E2E2E" benefits, they work together in perfect harmony.

Q: The company has also invested substantially in re-architecting the look and user experience for both the LOS and LSS. How did you come up with the new names for the suite of products?

KEVEN SMITH: Rebranding products with as much history as Mortgage Builder and GCC's G/Serve is a long and careful process. We did a great deal of research and developmental work to come up with exactly the right names that were both descriptive and evocative of our mission and identity. We're about building good loans, so the tool that helps clients accomplish that is rather like an architect, designing and creating. It became clear that "Architect" carried the message we wanted, and so it was adopted.

KELLI HIMEBAUGH: Loan servicing is the kind of activity that goes unheralded for long periods of time and

supports the structure of the lender in terms of revenue and value. One of the oldest principles of architecture is the colonnade, a row of columns to provide strength and support for the long haul, so we liked "Colonnade" as the name for the new look of G/Serv. We continued the theme with "Blueprint" for our advanced electronic document management module, and "Surveyance" for our enhanced web portal and mobile origination support for Architect.

THE NEW
MORTGAGE BUILDER
PRODUCT SUITE



Q: How much did you count on input from existing clients and users in the redesign?

KEVEN SMITH: It might be an overstatement to say that we don't do anything without checking with our clients and users first, but the fact is that we do little that doesn't involve them in some way, shape or form when it comes to product design. We have very long-term employees, many with decades of experience in the industry, and they have excellent relationships with our clients. The two-way communication literally never stops and we take what the users have to say very, very seriously.

KELLI HIMEBAUGH: One of the ways we do this is through weekly User Workgroup meetings. We hold eight meetings every month covering key results areas including regulatory compliance, QC, government lending, underwriting, secondary marketing and others. We have constant conversations with clients and the result is that we get regular input from the real world on ways to improve our software. This was a tremendous advantage as we did the redesign of the platform and transitioned from the traditional Mortgage Builder to the Architect platform. Features, look and feel; all of it was profoundly affected by input from our users.

Q: Will the "E2E2E" model become the way of the future for software companies, especially for the mid-tier lenders who want to service their own loans? What are the advantages of having all of the capabilities on a common-DNA platform?

KEVEN SMITH: End-to-end-to-end, meaning the entire process from customer contact, loan creation and on through servicing, makes a great deal of sense to lenders wanting to do more and reduce costs. Whether it is a lender that is currently servicing its own loans on a different software system, or a company that is getting into servicing now, it makes more sense in the long run to use a platform

Industry Predictions

Kelli Himebaugh thinks:

- 1. There will be heightened interest in retained servicing for middle-market lenders.**
- 2 I see increased interest in mobile mortgage technology.**
- 3 There will be further progress toward e-mortgages through increased adoption of e-signatures and e-delivery.**

that is designed to harmonize those critical functions. We have been very busy working with lenders of all sizes wanting to move in this direction. Servicing one's own loans has never been a better idea, given the need to stabilize revenues and with loan quality so high. But it's not easy without the right technology, especially in regard to the reporting, compliance and fulfillment requirements.

KELLI HIMEBAUGH: There are a lot of issues that can crop up when moving loans from the LOS system and onto the loan servicing system. When they are designed to work together and even share platform DNA, a lot of intermediary data correction steps can be eliminated. Also, from a user interface perspective, there is greater commonality between origination and servicing, enabling easier cross-functionality. People within organizations can be deployed with greater flexibility as needs dictate. The yo-yo cycles of hiring and laying off staff as the market changes are reduced, training becomes easier and costs are more manageable all around when the technology allows clients to do more. We think of "E2E2E" as offering a suite of solutions that represent one-stop shopping, but that also "plays well with others."

Q: Mortgage Builder has always been extremely user-focused and is known for customer service. How has the company built that reputation?

KEVEN SMITH: It all starts with listening, of course. And creating circumstances where we have the benefit of what our users are saying and thinking not just about our products, but about the things they do every day on the job. Our tech support has always included great people who know the answers and know the mortgage business, so they are of maximum value to users who call. There frankly aren't a lot of technical problems, so many times the calls are about ideas or questions on using a specific feature. Frequently the person answering the call at Mortgage Builder has more years in the mortgage business than the user who is calling, and that's experience that we leverage to provide answers to business questions, not simply technical ones.

KELLI HIMEBAUGH: Our User Conferences are very interactive, as are our regular User Workgroups. Our most recent User Conference had record at-

Industry Predictions

Keven Smith thinks:

- 1. I see additional mortgage technology mergers and acquisitions as companies position themselves to take advantage of the changing industry landscape.**
- 2 Paperless technologies will go from a "like to have" option to a "need to have" essential due to regulatory shifts and market changes.**
- 3 Compliance (CFPB) changes will drive increased technology innovation and adoption.**

tendance here in Detroit as we covered system training and industry knowledge over the course of several days. We get phenomenal input and feedback with these gatherings, whether in person or in virtual meetings. As an example from the product development perspective, we learned that the best originators are more interested than ever in the sophistication of the LOS system's mobile capabilities. We enhanced and improved our Surveyance product to bring not only greater functionality, but to serve Mortgage Builder clients as a recruiting tool to help them attract the best talent. We see great potential in this area and are continuing to develop it. Additionally, we are the approved LOS for the Lenders One alliance, and their annual meetings are yet another great opportunity for us to talk directly with the lenders of various sizes and get input on ways to improve products and the user experience.

Q: Can we expect to see more acquisitions in the near future?

KEVEN SMITH: We are not much interested in getting outside of the mortgage technology world that we know so well, as there is plenty to do in this very competitive field. But we are certainly open to additional acquisitions that would enhance the value of our end-to-end-to-end mortgage offerings. And we continue to integrate the best providers into the platform for the convenience of our users.

Q: Mortgage Builder is a privately held company. Is this an advantage or disadvantage when making decisions around capital improvements?

KEVEN SMITH: It is a huge advantage in terms of being nimble and able to move in directions we think best without having every detail approved by a board of directors more interested in share price than anything else. That being said, there is also more money available for capital expenditures when you sell stock, but we are very prudent with our finances and have excellent cash reserves. The benefits

of being privately held far outweigh those of being a public company for Mortgage Builder.

KELLI HIMEBAUGH: Our clients and users are a direct beneficiary of our being the captains of our own fate. We don't have shareholders demanding dividends and siphoning off the funds we have available to constantly improve our technology. This means we can listen to the voices of our users and empower them to have greater impact on our product development and delivery process. There aren't layers of bureaucracy imposed by traditional public company structures, so the highest levels of management are right down in the trenches getting the straight information directly from clients and those who support them. We see this as a significant advantage for us over the large firms in our business.

Q: Lastly, how important is it for companies like Mortgage Builder to stay ahead of the curve for needed improvements? Describe how being nimble and less bureaucratic than larger firms makes this easier or more difficult.

KEVEN SMITH: It is incredibly impor-

tant to stay ahead of the curve. That doesn't mean you rush into things and make changes impulsively, hanging out on the "bleeding edge" of change. It means you understand industry developments and make changes based on sound research and trusted customer input. We are fortunate to have the channels for user input to flow in cleanly and rapidly, avoiding the roadblocks often caused by bureaucracy and layers of management that one sees in larger firms. We stay nimble and are able to react quickly, but we are also committed to a thorough process to make certain we make meaningful improvements that work to our standards.

KELLI HIMEBAUGH: We strive to stay ahead of the curve with all of our products. Noticing the trend toward paperless and mobile solutions and the feedback we received from our customers is what drove us to develop our Blueprint and Surveyance products. Looking at what our customers need for both today's market as well as tomorrow's is what drives much of our development. This is true for both the development of new products as well as the enhancement of our existing ones. We're always looking ahead. ❖

INSIDER PROFILE

As Corporate Vice President, Kelli Himebaugh is part of the senior management team at Mortgage Builder. She directly oversees Sales, Marketing, and the Client Development Department. She also is directly involved in strategic planning and overseeing many corporate initiatives across the company. Kelli has been with Mortgage Builder for four years. She has over 15 years of industry experience. Prior to joining Mortgage Builder she held senior sales positions at Guaranty Bank, Centex Homes and Champion Homes.



INSIDER PROFILE

Keven Smith is President and CEO at Mortgage Builder. He is responsible for setting the strategic direction of the company as well as managing the day-to-day operations. Under his leadership, the company has been named by Mortgage Technology Magazine as one of the industry's Top 50 Service Providers for the sixth consecutive year (2012-2007), and was the winner of the magazine's 2008/2009 award for outstanding customer service and offering the industry's best technical support

