Process Improvement

The Sky Is The Limit

In a perfect world I wonder what technology all lenders should adopt to remain competitive. Here are some ideas:

By Tony Garritano

Let's talk about the pursuit of new ideas. I wonder: If every lender and servicer could adopt just one piece of technology that I felt would drastically improve the business overall if 100% of industry participants used it, what would that technology be? It's an interesting question for sure. And after coming to my own conclusions, I thought that I would reach out to my friends and industry experts in different parts of the mortgage process to get their thoughts as well.

Before I tell you my thoughts, I first want to tell you about what these various friends and experts thought. I started by going to a point-of-sale automation pioneer, Randy Schmidt, President at Data-Vision, Inc., a company that has been dedicated to furthering the cause of online lending since it was formed back in 1993.

He said, "Rather than a single technology, I would prefer lenders implement new technologies quicker. All too often, lenders embrace the status quo rather than using technology to create efficiencies and move their business forward. Web Services, Communication Portals, Electronic Signatures and Mobile Technology are all examples of technologies that consumers have adopted, yet lenders have been slow to implement. In a perfect world, by the time borrowers adopt a new technology lenders would already be there."

I find it hard to disagree with Randy. He is spot on, but my conversations with industry leaders didn't end with Randy Schmidt. The loan origination system is the system of record, so I thought that the conversation wouldn't be complete unless I asked a prominent LOS to weigh in. I turned to Dan Green, Executive Vice President of Marketing at Mortgage Cadence. In his view, "the single most important technology all lenders need today is the one that ties all others together. Lenders cannot afford to loosely integrate multiple systems together," he said.

"They need one system that incorporates, not integrates, origination, processing, underwriting, closing, funding and delivery augmented by meaningful service integration. Why? First, borrowers today, wizened from the fallout of the housing crisis, demand accuracy and constant communication, so increasing borrower satisfaction through transparent processes is essential. Second, lenders are scrambling to cut the added costs of today's regulatory burdens, and one of the most profound ways to ease these costs is through increasing efficiency through streamlined processes. Finally, there is simply no way to ensure transparency, efficiency and compliance without one system orchestrating every element of the mortgage process."

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Certainly new regulation requires that the LOS be more tightly integrated to literally everything. Technology should provide a single path to a completely automated process, which brought me to yet another vendor, Xerox Mortgage Services. If we're talking about the path to going paperless, surely I felt that I should see what Xerox had to say on this topic. Ken Marlin, Vice President of Business Development at Xerox Mortgage Services, pointed out that, "For the greatest impact, the ideal technology for all lenders to adopt would be one that provides a foundation for current and future e-mortgage initiatives and one that also helps promote consistent industry standards. For lenders, a collaborative network enables them to build out a network of best-of-breed vendors to meet their company's unique business needs, adjust their workflow based on changing business models and go "e" at a pace their business can handle. From an industry perspective, adoption of collaborative network technology will help drive us to standardize how we share information, be it how we integrate or the files we use, and promote an open and transparent process. With communication, transparency and flexibility being key to ongoing success in the mortgage industry, only a collaborative network technology can support the needs of a lender today and offer a solution to meet tomorrow's demands."

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Another key component to the mortgage process is the documents. The documents are the output of every mortgage transaction. So, I switched gears a bit to talk to an expert in this field. Reid Smeda, Sr., President at Compliance Systems, Inc., a company that specializes in compliantly documenting the mortgage transaction using dynamic document creation technology, added, "In today's rapidly changing regulatory environment and with the flurry of changes anticipated to continue for many years to come, it is vital for lenders to use technology solutions that provide optimal flexibility to adapt quickly and nimbly. Further, in light of the fact that an underlying theme of the Dodd-Frank Wall Street Reform and Consumer Protection Act is data (i.e., lenders having the data they need to ensure borrowers can afford a particular loan and borrowers having the complete, compliant and comprehensible data to make informed credit buying decisions), technology solutions must be "data-obsessed." The solutions should not be ones that were retrofitted to accommodate this expanded focus on data, but rather, systems built from the ground-up based on the data that defines a particular credit application and resulting transaction."

Now we're talking data. This topic drew me to Gabe Minton, Senior Vice President, Information Services at ServiceLink, who was instrumental in spearheading MISMO, the mortgage industry's keeper of data standards. He said, "If I had to pick one technology for every lender to adopt, it would be universal communications … standards. There are many facets of standards, some further along in implementation in the mortgage industry then others, but there is still much work to be done. Increasing regulatory scrutiny and an overall need for more open and transparent process methodologies necessitate the need for document and loan identifiers to be the same, electronic signatures to be universally accepted, and the ever increasing dictionary of terms we use to maintain the same definition and integrity across parties involved in the transaction."

From there, e-signing and e-vaulting industry mainstay Kelly Purcell, Executive Vice President, Global Sales and Marketing at eSignSystems, chimed in. She said that every lender should adopt a technology that she calls "trusted computing." Here's what she means: "This is a set of industry standards that are broadly deployed but not broadly used. Trusted computing lays the foundation to shift reliance on securing cyberspace from users with passwords to devices with built-in industry standard Cyber components. Trusted computing provides a common framework for security across operating systems and hardware. Trusted computing assures only known devices are connected to financial services data, that devices self-protect the data in the case of loss and provide a foundation for greater integrity in the data managed. Finally, with global standards and interoperability, trusted computing provides one of the most cost effective measures to assure better ease of use, protection, and assurance. The greater the data security, the more financial institutions will implement electronic transactions."

We've been primarily talking origination, but servicing should not be left out. For this I went to specialty servicer Wingspan Portfolio Advisors CEO and President Steven Horne. He longs for "a single trusted source data structure integrating client data, vendor data, and third party data in an internally consistent reporting platform. This would enable full transparency into operational performance and emerging future trends across both servicing and origination."

Now, what do I think about the question? The more I thought about it, the more I came to the conclusion that different technologies work for different lenders. As the saying goes, different strokes for different folks. Moving the mortgage industry forward isn't about any one technology, it's about adopting a new mindset where lenders consistently adopt new technology and processes to continually improve. Why is the mortgage process so manual? Because that's what lenders prefer. Most don't want to change or to automate and move into this century. It's a shame that it's taking a global meltdown and an onslaught of new rules and regulations to get them to really step up. Oh well, I guess it takes what it takes. ❖

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