



Your Voice

Drive Efficiency & Profitability

Going from concept to reality, us lenders agree that Software as a Service has advantages that set it apart from other technologies.

By Monte Robbins and Keenan Wagner



Software-as-a-Service (SaaS)—a type of cloud-computing technology through which providers host on-demand software solutions over the Internet—is fast becoming the key to driving efficiency and profitability for mortgage lenders. Steadily rising to the top of lenders' lists as their technology of choice, SaaS is garnering attention worldwide. In March 2012, Gartner, Inc. reported on the growth of SaaS, projecting global revenues of \$14.5 billion for the year (a 17.9 percent increase from 2011), with continued revenue increases reaching \$22.1 billion by 2015.

What differentiates SaaS from other technologies? In the mortgage lending world, its capability to provide a 100 percent, true Web-based experience—beginning with the point-of-sale through loan approval—produces advantages worth noting. From a business standpoint, SaaS's relatively rapid implementation process positions lenders to start generating business sooner than traditional software. Additionally, mortgage lenders deploying an all-inclusive SaaS platform can streamline their entire operations and will typically see positive results immediately.

For instance, CapWest Mortgage, a division of Farmers Bank & Trust, N.A., and a Costco preferred lender, implemented Mortgagebot's SaaS-based platform in October 2011 and transformed its mortgage business, growing from 299 applications and \$44 million in loan volume in the first seven months of 2011 to 7,133 applications and \$1.6 billion in volume in the same seven-month period in 2012. CapWest Mortgage, which is headquartered in Overland Park, Kan., attributes the success to injecting SaaS technology into all aspects of its mortgage operations and wrapping the right marketing methods around the technology. CapWest believes in assembling the best-of-breed in mortgage technology and that necessarily involves the use of SaaS. The bank went through a complete cultural change in the way we do business

and are fully embracing this critical technology.

Perhaps the most evident change SaaS technology arms lenders with is the capability to go mobile. Loan officers can view and work on all mortgage files from any computer or device that is Web enabled, freeing mortgage staff from the confines of their office walls much more so than with traditional enterprise systems. The average number of loans per month a CapWest Mortgage loan officer produces is 22, while top producers close as many as 40. The only way these loan officers can accomplish this is through [SaaS] technology.

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Washington State Employees Credit Union (WSECU), headquartered in Olympia, Wash., also underwent a dramatic change using SaaS flexibility. Its previous system required users to access its network or software through a portal or specific IP address. Online activity at the time of SaaS deployment in October 2011 contributed a mere 5 percent to the credit union's total volume, but by July 2012, online loan volume had shifted to 50 percent. [WSECU] wanted its staff, especially sales people, to be able to access the system from remote locations. With [SaaS] technology, originators can be anywhere and access the system through the Internet at any time. This is especially crucial as we anticipate possibly providing them with smartphones and tablets. WSECU says mobility will prove critical for WSECU as the industry focus shifts from refinances to purchase loans. The company anticipates that more of its personnel will be going to home shows and leveraging their partnerships with real estate professionals. They need to be able to manage those access

points from outside the office.

Behind the scenes, SaaS removes many of the responsibilities and operational tasks associated with other technologies. SaaS vendors typically staff high-level experts—who eliminate time-intensive IT maintenance for lenders by taking on external software ownership, development, updates, and monitoring—and more aptly set up security for its hosted technology. They also handle automatic updates—ensuring all users remain current with the latest software versions—and data storage, freeing up significant amounts of space in lenders' systems. The end result for users such as WSECU and CapWest Mortgage is largely reduced overhead expenses and little or no downtime.

Without software engineers on CapWest Mortgage's staff, the bank looked to engage industry-leading business partners who could provide best-of-breed service. Via the Mortgagebot (Avista) LOS solution, document imaging and consumer-direct website, using SaaS technology also minimized reliance on IT for \$1.65 billion-asset WSECU. Wagner says SaaS allowed the credit union to simply “flip the switch” to implement the all-in-one solution and capture more mortgage business with “one-stop shopping.”

The affordability of SaaS, generally lower priced than other technologies, is also attractive to lenders and lets virtually any sized lender access tools traditionally available only to larger institutions. Through pay-as-you-go pricing or a subscription-based fee, SaaS technology typically reaps a relatively high return on investment. For WSECU, SaaS's subscription service lets the credit union track each loan's costs down to the penny. It's very easy to know the cost of each loan, which then helps us ensure the cost per loan is covered in the fees we charge. It's right in line with our style of doing business.

Equally advantageous is the scalability of SaaS technology. Vendors share the cost of resources and infrastructure among users and ultimately pass on the benefits produced from economies of scale. For instance, qualified and reputable vendors apply the experience of all users to determine, develop, and implement the most optimal updates for the user community, resulting in substantial time savings for lenders. The LOS seamlessly integrates with WSECU's third party tools, including underwriting,

credit reporting and flood. Third-party tools are completely integrated so that there is no time delay and no manual data entry responsibility. It's easy to push a loan through the system.

CapWest Mortgage similarly comments on the unprecedented time savings from SaaS technology's scalability, noting that the time devoted to originating loans has decreased 50 percent and allowed more time to serve customers more efficiently. Before adoption, the bank received 60 online applications in May 2011; one year later in May 2012, after SaaS deployment, it took in 1,649 online applications, an astounding twenty-sevenfold increase.

SaaS technology also offers unparalleled flexibility. Providers can customize websites to each lender's corporate branding to create a seamless experience for borrowers. SaaS's flexible “smart” technology creates a self-serve process available to consumers around the clock. The streamlined efficiency and on-demand answers are exactly what borrowers want. And the platform is slick, intuitive, and easy to use. Consumers can easily navigate the system and complete nearly 100 percent of the loan transaction using the automated tools, credit check feature, underwriting, and overlays. We approve 40 percent of our online applications.

Another notable convenience of SaaS's flexibility is the capability to display accurate, real-time pricing. The pricing engine of WSECU's SaaS solution is completely seamless. From the consumer side, the borrower can see live, on-the-spot pricing for specific loan products. This capability allows the borrower to know exactly what products are available and at what price, terms, and rates.

It's exciting to see where [SaaS] is leading us. This is a technological change with benefits everyone sees and agrees with, and we're extremely excited about what we're seeing in the way mortgages are originated. As lenders such as CapWest Mortgage and WSECU continue to recognize SaaS's advantages, enthusiasm for the technology will only accelerate, while SaaS vendors—whose comprehensive management of many clients' systems produces the financial feasibility to invest their resources in innovation—will continue to develop their products. The very nature of SaaS technology ultimately creates a win-win situation for the mortgage industry—including vendors, lenders, and their borrowers. ♦

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