Process Improvement
Are You Onboard Yet?

Now is the time to go paperless. Why is it so important right now you might ask? Here's why:

By Tony Garritano

I've been covering the mortgage space for literally years now. More years then I care to admit actually. However, with all of the dynamics at play today including ever-changing regulation, investors requiring data-driven appraisals and loan delivery, interest rates rising to the point that lenders have to be more efficient to make money, the new borrower looking to do more and more online, etc. I could go on and on. Now is the time to act.

So, what should lenders do exactly? "As an industry we've been taking pieces of paper and turning them into images," notes Jeffrey Evans, the Vice President of Product Marketing for San Francisco-based Capsilon, a provider of cloud-based document sharing, imaging and collaboration solutions for businesses. "But we have to really ask ourselves: What's on those images? What are those little pieces of data on those images? And how do we dive into the universe of converting documents into data? The goal has to be automating whole processes so that we can look into the data on those images, such that we can evaluate the data piece by piece."

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If we're talking about being more data driven, Chris Anderson, the Executive Vice President of Sales and Marketing for DocuTech Corp., a provider of mortgage loan documents, compliance services and technology solutions, advises, "You need an integrated loan origination system and imaging system to capture all the data. Where we've come in terms of the evolution of paperless, is that the paperless mortgage now includes e-delivery and e-signature pieces to handle what goes out to borrowers and investors electronically vs. lenders just going paperless internally."

Before I get ahead of myself, I thought it would be instructive to provide a little history lesson. We should learn from history, right? According to John Liston, the Director of PowerLender Product Development and a co-owner of origination and secondary marketing technology provider ASC, "Paperless" really means, "avoiding costs associated with paper." It started out with faxing to avoid charges for delivering paper. Later, once computers started being used in lending processes, it also meant avoiding printing unnecessary worksheets. When document scanning became affordable, lenders could avoid the cost of physical vault storage. Later still as computers became connected over networks it also meant interchanging data to avoid duplicated data entry sometimes involving paper. Once e-sign legislation occurred it also meant avoiding wet signatures on paper. Now it also means using digital certificates to convey trust so that a paper trail can be avoided. Today lenders are very savvy. They are aware that avoiding the cost of paper will help their profits."

By the same token, as technology has changed, so has the definition of what it means to go paperless. "The definition of paperless has most definitely changed over the years," said Kathleen Mantych, the Senior Marketing Director for MRG Document Technologies, a provider of legal compliance and dynamic compliant document preparation software. "It has taken on many meanings depending on any given lender organization and their business practices. From outsourcing when and where lender shops can gain efficiencies with compliance and document preparation systems that are fully integrated, to full-blown workflow and imaging systems within their LOS and servicing systems. This is all part of going toward paperless to maximize efficiencies and protect their organization whatever those steps are."

To Mantych's point, regardless of the no-brainer points that I made earlier about why paperless should have gone mainstream long ago, compliance is what's driving lenders to finally act. "Compliance is driving lenders towards paperless processing," pointed out Steve Wise, the President and Founder

of Cleveland-based Specialized Business Software, a provider of customized software solutions for insurance, mortgage and financial services companies. "More and more automation is also being required as investors require data. As a result, lenders want to have control over the process for security reasons. In addition, lenders need to make sure that borrowers are being handled on a consistent bases, on a fair bases across the entire portfolio. That's where technology comes in."

"There's certainly a focus on compliance," added Mark Nogaki, Senior Vice President of Sales for ClosingCorp, a leading provider of residential real estate closing cost data and technologies. "Things get rehashed over and over and things change during the course of processing a mortgage. As a lender you have to keep track of all of those changes. Also, rules and regulations are also always changing these days, as well. So, lenders need technology that can help them remain compliant, which means that the technology must be agile."

Sure, some lenders are starting to get it, but will others really follow? Tim Anderson, head of DocMagic's new eServices Division, notes, "It really wasn't until the FHFA came out with their Uniform Mortgage Data Program (UMDP) to push and promote data integrity and quality using MISMO standards that I now see real hope and adoption starting with the data first and the "form" as just the legal or logical (UI) online presentation and output of it. They are also supporting the creation of a SMART Document to make sure there is a common way to embed and share source data that "travels" with the documents to ensure better and more consistent data and document integrity and also version control between systems that share and repurpose it. To truly be paperless, you need to start and end that way."

So, how should lenders get started? "Start simple," answers Mike Bridges, President of PaperClip, a leading electronic communication and collaboration provider. "The paperless challenge is removing paper from peoples' hands and the process. Two-thirds of those adopting paper-free processes report a payback within 18 months; 50% see payback in a single 12-month budgeting period. Twenty five percent of mortgage organizations that went paperless reported it was an excellent experience, 38% rated it good, 22% average. Paper processing cost $1.30 per page – cradle to grave. Paperless processing can get as low as 25 cents per page."

Regardless of how we define paperless, the return on investment is there. "Not to be flippant, but paperless is paperless: a mortgage lending operation that functions

eMortgages: Closing In

Nearly half of respondents, **43%**, believe the mortgage industry will close more than half of all loans as an eMortgage within the next four years, up from 28% in 2011.
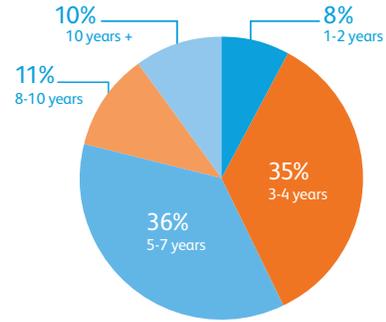
Source: Xerox Mortgage Services

without printers, files, copy or traditional fax machines and originates, processes, closes, funds and delivers without a single piece of papyrus. That's paperless," says Dan Green, EVP, Marketing at enterprise lending provider Mortgage Cadence. "Time spent discussing the definition at this late date avoids the issue: fully electronic, completely paperless lending is crucial for efficient, compliant operations. The technology exists. The benefits are real. As Elvis said, "A little less talk, a little more action."

In fact, progressive lenders are starting to act. According to the most recent Path to Paperless Survey conducted by Xerox Mortgage Services, nearly half of respondents, 43%, believe the mortgage industry will close more than half of all loans as an e-mortgage within the next four years, up from 28% in 2011.

How do lenders feel about that statistic? "Now Paperless is really about the point-of-sale experience with the consumer," concluded Joe Dahleen, Executive Vice President and Managing Director for full-service lender Elevation Home Loans. "Today's consumer expects you to be paperless, have e-sign ability, offer portal access for complete control with effortless communication, including mobile push notifications on the smartphone to keep everyone updated on the progress of closing. Also, when it comes to servicing the loan files – it better be the same type of experience as the origination process otherwise there goes the continual referrals.

"The future of paperless is mobile access and verification of third-part party data so we as lenders don't need tax returns and bank statements from the borrower. At best, I only need the verification of ID and maybe a current paycheck stub from a borrower, and they can quickly upload that to my secure cloud portal via a mobile capture anyway. It should be that simple." ❖

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