Sizing
Up Success

Ellie Mae's Jonathan Corr reflects on this year and talks about what lenders need to do to succeed going forward.

Can a loan origination system actually complete a successful IPO? It's never been done before, but Ellie Mae got it done this year. The company not only went public, it completed two high-profile acquisitions. All this happened during a time of flux

in the mortgage industry. Ellie Mae also made some personnel changes. Jonathan Corr was named chief operating officer. Mr. Corr, who has been responsible for corporate and product strategy for Ellie Mae, now also oversees all sales, business development, marketing, client services and client support divisions. He sat down with us to reflect on what 2011 has meant to Ellie Mae and the mortgage space. He also shared his vision for the future of mortgage lending.

Executive Interview

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Q: On a personal note, you're an avid golfer. Why do you like the sport so much and how has being a good golfer influenced your business decisions?

JONATHAN CORR: I've been golfing since business school. It's an interesting sport on a number of levels. It looks like such an easy game, but it continually challenges you. There's also an emphasis on precision. It's amazing how good your stroke can be if you're precise about it, but if you lose your focus causing you to be off by even just a fraction, it can make a big difference. No matter how often you do it, it's always challenging.

Also, going off and spending a lot of time on beautiful courses out in the fresh air is relaxing. It can be frustrating, but just being out there in nature puts everything into perspective. It's very refreshing. You learn a lot about yourself.

From a business standpoint, unlike other things that you might do that are competitive, you have time to have good conversation and get to know folks. You get to go out of the office and live. It's

also a game that shows the true nature of people when it comes to their integrity. There is no referee. You have to referee yourself. It also gives you a sense of people in an environment with stressors. You can see how people react to a poor shot and that's very telling as to how they will react in business. I don't play as much as I'd like. It's a great game.

Q: Speaking of introspection, do you think lenders think enough about their own processes and how they can improve?

JONATHAN CORR: Yes and no. It depends on the lender. I see a lot of lenders looking to improve their processes. Lenders are looking for fundamentally new ways to deal with industry challenges. They are also looking for new ways to get customers. Those folks are leading the way and differentiating themselves. Those folks will become the best companies in the space. There are other folks that are stuck in their ways. That's a reflection of what you see in every industry, especially when it comes to embracing new technology. Everything goes through technology adoption curves. We go through these curves where you start with what I'll call the lunatic fringe. There were some companies doing e-mortgages early on. Some would call them the lunatic fringe.

From there you move to early adopters. From there you talk about the early majority, the late majority and the laggards. You are always going to have the late majority and the laggards. Those are the companies that follow. Those companies don't become leaders because they are not adopting new technology to get the benefits of that technology, they are doing it to survive. Our industry is like that. Today we're in that middle period. New ideas like e-disclosures, e-signing, automated compliance, investor delivery, you can map these ideas in terms of adoption.

Q: In terms of conditions that may push those laggards along, there is a lot of emphasis on quality. What does the need for greater loan quality mean in terms of technology adoption?

JONATHAN CORR: We're going to continue to see increased demand from the regulatory side. There will be continued change. Let's look back at the RESPA changes, that accelerated the use of e-disclosures. Loan officer compensation accelerated the use of product and pricing technology. We're going to see the Truth in Lending and Good Faith come together. We'll see

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a lot of Dodd-Frank pushed out through the Consumer Finance Protection Bureau. With all these demands and changes, in many cases automation is being forced.

Also if you look at investor demands, everyone is looking for verification, re-verification and verification again. This is not about productivity for the sake of productivity, it's about being able to do all of these things in a timely way, in a cost effective way, and still be profitable. These changes have been an accelerator of the use of technology and will continue to be well into the future. Even if the regulation pendulum goes back and becomes more relaxed, which it will in time, there will be no going back because lenders will have experienced the benefits of automation and they'll want more.

Q: What specifically does the industry need to deal with new regulation? Are there particular technologies that lenders must adopt?

JONATHAN CORR: One of the technologies that has shown it can carry a huge benefit and help lenders move to a truly automated process is the Software as a Service model. The fact that the technology is readily available, storage is easy, your data is managed for you, what you're seeing is the technology provider is doing what they're good at while you focus on what you're good at. Another benefit is that technology is no longer cost prohibitive so you can get that movement. With the ongoing change in this industry, lenders don't want to install new technology every time there is a new rule. The technology vendor should do that for you. Not only is this model important and relevant for other markets, the idea of doing things electronically over

the Web is happening today because of SaaS. This technology enables lenders to have both control and transparency.

Other technologies that we'll see become more important are about customer service. How do you do that? The key is mobile technology. The key will be how do you go mobile so the technology is both valuable and useful to the loan officer and the consumer.

We're also doing stuff around success-based pricing. We're bringing different technologies together that were just loosely connected prior.

Q: How is Ellie Mae promoting a more connected/ transparent process through its technology?

JONATHAN CORR: Our vision, our North Star is the desire to be one of the drivers of end-to-end automation. What do I mean by that? Everything from the first consumer touch to the final investor delivery should be electronic. There is $750 per loan in just waste today. That's money thrown out the window. Why should it take 30 to 45 days to close a loan? We are always thinking about how to make our clients more successful. If you can automate everything, and still offer the lender complete control, and enable them to better serve the borrower, that's our goal.

We have a broad platform of Software as a Service solutions that amount to a full enterprise offering. We've also been very focused on compliance. The No. 1 priority for every lender that we talk to is compliance. We've made the investment in the area of compliance through acquisitions and internal innovation. We consider that to be a big differentiator for us. We've gone even further to work with both our clients and investors like Wells Fargo to

create a streamlined process that ensures quality. We're also in the midst of rolling out more functionality around consumer direct because that's where our customers are going.

Q: It's been a big year for Ellie Mae. Your company went public, bought a pricing engine and recently bought a competing LOS in DataTrac. Reflect a little bit on what this year has meant to Ellie Mae and what we can expect from you guys next year?

JONATHAN CORR: As you said, it's been a big year for us. It's been exciting. The IPO has really allowed us to have additional currency so we can invest to support our customers both through acquisition and organically. The acquisition of Mortgage Pricing System added product and pricing functionality. We added lots of customers and executed on our strategy that product and pricing is great as a standalone, but it is better when it's embedded in the fabric of everything you do.

The DataTrac acquisition was fabulous for us. We could not have diagramed a better acquisition in terms of picking up loan share and volume. They also have a fantastic team of leaders like Rob Katz and great technologists, as well. DataTrac might not have been the biggest innovator, but they had a large and loyal customer base because of how closely DataTrac worked with their customers. Going forward we will be able to bring the capabilities of DataTrac and Encompass together to offer a combined solution.

This year as a whole told us that the success-based pricing model has been the right bet. We've seen revenue grow steadily in that category. We set a great foundation going into next year. Is 2012 going to be a tougher year? Most think so. Most predictions say we'll be down another 20% in terms of volume. I don't know. In spite of market origination declines we'll bring our products even closer. Lastly, I think the idea of creating a total quality loan through our partnership with Wells Fargo will become a standard. I expect other investors to do the same. ❖