



# A WORLD OF OPPORTUNITY

With the demand for change in this industry over the past three years came the motivation to create and adopt new technology.

By Sanjeev Malaney

**W**ith every crisis comes a potential opportunity. The 2008 financial crisis caused professionals and many businesses in all industries to rethink the way they were doing business across the board. Anytime that kind of shakedown occurs, changes are needed to get back on track by boosting efficiency and restoring profitability. This has been especially true of the mortgage industry. With the demand for change in the industry over the past three years came the motivation to create and adopt new technology such as software as a service (SaaS) to enhance business operations.

Historically in the absence of solutions that addressed not only the targeted mortgage application needs but also the high security and scalability requirements of organizations, it was easier for a mortgage company's IT department to create, run and maintain platforms internally. For many of these companies, a quick fix from the technology department was the safe bet, but not necessarily the best in the long term.

### ADVANCED TECH

However, in recent years, there has been a demand for more advanced technology that facilitates transparency, better communication and process automation across all sectors in the mortgage industry. The result has been the creation of end-to-end Web-based systems, movement in mobile innovations and platforms that control workflow at the touch of a button. As technology vendors further increased the security and scalability features of their SaaS solutions, larger lenders took notice. Although some lenders

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did implement SaaS prior to it becoming mainstream, those that are now adopting, have the advantage of more advanced offerings- thus gaining more process efficiencies required to be competitive. And, with the constant technology cycle of innovation, now is the time for those early adopters to revisit SaaS and recognize the benefits delivered by vendors today.

For those that have yet to adopt SaaS technology and are toying with the idea of in-house development, it would be wiser to work with a cloud-based solution provider. Even by starting with packaged applications and building and integrating them into an internal system, the company risks investing significant time and money in developing a solution that may not per-

form to their standards in the end. Eighty percent of all IT projects fail due to the uncertainty of the end result. SaaS guarantees a return on investment (ROI) by reducing technology maintenance costs, decreasing loan turnaround times and improving efficiency across organizations.

### USE THE CLOUD

What you can do above and beyond in the cloud:

SaaS creates possibilities that are only achievable in the cloud. At this point you may ask, “What can I do in the cloud that I cannot do in my own data center?” With SaaS, staff and strategic partners can now collaborate seamlessly across organizational boundaries. Networking clients and partners together through the cloud in a secure way is now a reality with a neutral party acting as the network. Lenders are constantly communicating with third-party title insurance agents, investors and accounting departments and continually exchanging loan documents through email and snail-mail.

But with the right SaaS application, the information is housed in the cloud and all loan transaction participants can work on documents in real-time without organizational constraints. The cloud enables collaboration as if your partner is part of your enterprise.

### MORE ROI

There are additional benefits of a hosted cloud-based system not commonly considered. As mortgage companies are adopting more advanced and mobile technologies, those using SaaS systems gain the agility to easily create new mortgage products, enhance business efficiency and differentiate themselves with superior and responsive customer

service. Cloud-based solutions also help companies alleviate the significant compliance headaches. With building a technology system internally comes the heavy responsibility to adhere to industry and government regulations and requirements. With a hosted system, the service provider is responsible for meeting guidelines thus alleviating the compliance burden. Lenders should thoroughly vet service providers to ensure all necessary data security and other compliance certifications are in adherence.

Although software can be purchased that is deemed compliant and allows lenders to run compliance checks themselves, they run the risk of overlooking additional data center operating issues and underlying subsystems (operating systems, databases software, etc.) compliance issues. Lenders should rely on a vendor who can ensure systems, subsystems and operating procedures meet compliance needs. But many companies are missing out on this level of innovation because they are hung up on old ideologies that discourage them from adopting SaaS.

### MISPERCEPTIONS

Myths preventing SaaS adoption:

There are several misconceptions surrounding SaaS, including that the platform is less secure than housing data internally. This simply is not the case. There are many challenges to housing a system internally, such as making sure that you have strict procedures on how you manage the development, deployment and operation of the software, taking full responsibility for maintaining data, physical and network security, choosing the right data center and ensuring regular audits.

Lenders housing their own internal systems must also cope with a growing variety of outdated legacy systems that may not have up-to-date security standards. These older systems are more susceptible to hacking than companies with modern technology and heightened security measures. IT departments are often required by budget and talent

constraints to maintain older systems even though it is clear performance, key features, security and compliance may be lacking, while modern SaaS systems make certain that a lender's underlying system are current with security patches to ensure data protection, security and compliance.

With security as a top concern, SaaS providers' standards and methods for protecting valuable data are transparent and can be easily evaluated and scrutinized. It is essential for mortgage companies to ensure standards of a SaaS provider are higher than what they are able to sustain internally, therefore justifying the partnership. SaaS users should look to verify that vendors are compliant and choose those who hold SAS70, SAASE 16 and OTC audit certifications among others.

### YES, IT SCALES

A second myth is that SaaS is not scalable. Hosted technology solutions are dynamic and can typically be customized to meet any business' needs. Clearly, smaller organizations do not have the same needs as a top tier lender but SaaS technology can be easily adjusted to handle fluctuating volumes and can be modified much faster than internal systems. Typically, if a lender drastically increases or decreases volume and outgrows its current technology, significant time and money needs to be dedicated to a system conversion. With a hosted platform, the lender instead can easily request its provider to control capacity levels and features in order to meet the growing demands. Unlike your single organization, the vendor you are working with is building the technology needed to accommodate a wide-range of mortgage companies' needs consequently designing highly customizable, scalable systems.

### COST TO OWN

The final SaaS myth is that cost of ownership is greater than traditional solutions. Adopting SaaS technology enables users to forego costs associated

## ABOUT THE AUTHOR

Sanjeev Malaney is co-founder and chief executive officer for Capsilon, a provider of cloud-based document sharing, imaging and collaboration solutions for businesses. Capsilon's technology facilitates both internal and external collaboration by connecting virtual workspaces and enabling transaction participants to work together in real-time, reducing the time and cost associated with paper and electronic alternatives. For more information visit the company's website at [www.capsilon.com](http://www.capsilon.com).



with building and maintaining their own system. Trying to reinvent the wheel is unnecessary and quickly becomes costly. Lenders must rethink the decisions made in terms of their IT investments. The lender is also able to rely on the expertise of its provider to quickly and accurately make these changes instead of pouring the capital into maintaining an in-house IT department. SaaS solutions cover the range of IT and operations resources that go beyond the simple provisioning of software and let lenders reduce cost and expertise needs for data center operations, subsystem maintenance and the like. Therefore it is a wise decision to put your resources into readily available, extremely robust SaaS technologies to enable your company to focus on the core competencies that directly impact revenue.

SaaS is not just about ROI, but also mitigating the likelihood of failure. SaaS gives users the ability to try it out without a massive up-front investment with minimal risk. SaaS also delivers peace of mind, keeping users from constantly wondering if in 12-18 months the company will experience a successful roll out or be dealing with a failed attempt. With a hosted platform, you can make the changes as you go and continually improve the system.

The reality is that security is actually enhanced when operating in the cloud, technology models can be more easily tailored to a mortgage company's changing size and unique needs and the total cost of ownership is reduced. And, a growing number of successful lenders are leveraging SaaS technology to gain strategic advantages while others are

stuck using their own internal systems or falsely believing the myths. As the outlook for 2012 remains unclear, mortgage companies should be prepared to manage an ever-changing regulatory landscape adapt to any changes that come their way. Correctly chosen SaaS solutions give lenders the tools to be agile in responding to marketplace needs, whether they are technical, capacity, compliance or feature driven. ❖

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