



# Your Voice

## The LOS That Does It All

Our LOS software vendor asks us how do we process loans instead of them dictating to us “what to do” and “how to do it.”

By Michelle Gately

**W**hen we were evaluating a mission critical application such as a loan origination system (LOS), it was important the LOS vendor could provide configurable and customizable functionality to fit our specific lending needs. I’ve been working with my current loan origination system for five years and we are extremely happy with the features and benefits that it provides for my institution.

Today, we offer standard conventional mortgage loans including fixed and adjustable mortgages and HELOC products.

One of the advantages of being a Community Bank is we don’t have to follow a standard “cookie cutter” process where “one size fits all” like many large lenders are forced to follow. Consequently, we configured our LOS platform to meet our lending policies and at the same time eliminated ALL manual processes. We don’t have to change our policies and procedures on the fly to get the loan through the system. In my experience, it is better when the “tail isn’t wagging the dog”.

From a lenders’ stand point, we value the ability to create our own customized workflow within the system. Our LOS software vendor asks us how do we process loans instead of them dictating to us “what to do” and “how to do it.” Our goal was to find a LOS platform that allows us to conduct business “our way” but at the same time properly meet the state and federal lending guidelines. We also were looking for a LOS platform that helps us measure risk and address our internal policies and procedures. For example, when Real Estate owned schedules are generated, we want to calculate the schedules based on our internal underwriting policies.

There are always many hesitations with implementing new technology. Our LOS vendor did an excellent job assisting us with transitioning from our prior LOS to our current LOS.

We actually killed two birds with one stone. Two of our goals were to eliminate duplicate data

entry and improve data integrity. As a result of implementing our current LOS platform, we considerably minimized data entry mistakes and improved the quality of our borrower data because three or four people no longer have to enter the same piece of information at multiple data entry points. This greatly increased productivity and ensured accountability.

As a result, we are extremely confident our HMDA LAR is accurate because we eliminated double data entry and we use data integrity functionality (i.e. “required fields” feature) which forces end users to enter critical information required to process a loan. Borrower data is being pulled directly from the loan database and we can track who is responsible for data entry and track ownership. Ever since being able to do this, submitting the HMDA LAR is exactly as it should be; a non-event.

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When we sell a loan, we can create a ULDD file directly out of our LOS or we can go into a secondary loan sale platform, type in the same information, make mistakes and not have the information match what’s in the loan origination system. We worked closely with our LOS vendor to create the ULDD files to get that properly configured for loans we sell to the secondary market. While doing this, there was another community bank, probably 2 or 3 weeks ahead of us in the ULDD implementation process for our LOS, so they paired us up so we could talk to each other about what our current challenges were, how we addressed them, and what we should have we

done differently which was very helpful to both of us.

Over the past five years working with our current LOS, one of the greatest efficiencies is the “embedded” printing capability that is included in our LOS platform. This allows us to print **ANY** loan document at **ANY** time during the lending cycle phase without having to leave the LOS platform. I know other LOS platforms rely on 3<sup>rd</sup> party Doc Prep providers which adds additional costs and time. With our current LOS, all loan documents can be printed directly from our LOS platform without depending on a third-party document prep provider.

Another advantage of having an embedded printing capability is we don’t have to worry about using a 3.2 Fannie Mae Case file which many LOS depend on when creating documents. If your LOS depends on a third-party document prep system, the steps include exporting the 3.2 Fannie Mae Case file and then importing (transferring) the 3.2 Fannie Mae file into another system. However, you always worry if the mapping is accurate. If mapped incorrectly, this is a recipe for disaster. Instead, it is better to have all loan documents generated directly from the LOS.

It’s critical that your LOS creates the Loan Estimate (LE) and Closing Disclosure (CD), which are somewhat different than your typical loan documents. Generating an LE or CD from a third-party document provider exposes the bank to more risk. If data elements are not properly mapped to third-party doc provider platforms, the final output will not be accurate. This can lead to regulatory issues and/or costly fines.

Regarding HMDA, we can easily pull a HMDA LAR directly from our loan origination system. Even though we don’t utilize the system to process our commercial loans, we worked with the LOS vendor to configure the ability to capture and report HMDA data points for Commercial Real Estate Loans. This is a very important capability especially with all the new HMDA changes coming in 2018.

Regarding reporting, we are fortunate our LOS has excellent standard and AD-HOC reporting

capabilities. We can select, sort and print any field on a report. When I first started working for my bank, no one had a lead role in managing the system so the loan process took a long time to complete. When I stepped in, I worked with our LOS vendor to help us create turn time reports to show how long each step in the loan process was taking. We wanted to measure productivity and this report showed us how we could consolidate time to shorten the lending approval process. Once we produced this report, we gathered useful business intelligence, which helped us reduce timeframes and create better efficiencies from start to finish.

We have automatic reporting scheduling capabilities, which means we can generate and distribute reports automatically during off hours. In addition, we can convert ANY report into different 15 different formats including delimited file, Excel, .pdf, HTML, etc. It’s one of the most robust reporting systems we’ve ever used.

From a support perspective, I truly enjoy the online ticketing system that our LOS vendor utilizes. The system allows me to create a ticket, go back and search old and closed tickets, easily communicate back and forth regarding issues, and ensure all information is confidential and secure. In the ticketing portal, there is a community of users where we can share ideas and best practices based on our individual experiences. In the past I’ve seen this handled through email chains, which is

tremendously inefficient. Our LOS vendor also provides online chat, which saves time. But of course, they also provide old fashioned “phone support” when the need arises to talk to a support representative.

Because of these efficiencies.....everyone on the residential lending team is able to work effectively and accountably. We are able to smoothly process, underwrite and close loans. The first year our LOS system was up and running we were able to have clear direction and tasks for each step of the loan process which resulted in a first year increase of over 200% in residential loan origination volume. ❖



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