



Revolutionizing the LOS

Larry Alston is the General Manager at Mortgage Builder, and he has big plans for the software company.

Mortgage builder has been serving the mortgage industry for almost 20 years. The company touts that it has the highest customer retention rate in the industry due to exceptional service and support — Mortgage Builder's first customer is still a customer over 15 years later. In September 2014, the Mortgage Builder business was acquired by Altisource Portfolio Solutions S.A. Altisource is a premier marketplace and transaction solutions provider for the real estate, mortgage and consumer debt industries offering both distribution and content. The company has big plans for Mortgage Builder. Larry Alston, the General Manager of Mortgage Builder, talked to our editor about his background and the future of the LOS space. Here's what he said:

EXECUTIVE INTERVIEW

Q: Larry, you came from the big data industry. What were your first observations of the mortgage industry?

LARRY ALSTON: My first observation was that it is an industry begging to be automated and renovated. What jumped out at me the most was how underserved the mortgage industry is by technology vendors. A lot of lenders continue to do things the way they have always been done — even if it's in a manner that is less efficient and/or manual, which is often inconvenient for potential borrowers.

Right now, there is an amazing opportunity for technology vendors that are willing to look at the industry from a different perspective and innovate to deliver a much better borrower experience.

What gets me up in the morning and excited about Mortgage Builder is that outside forces, for the first time in a long time in the mortgage industry, are going to drive innovation. These outside forces are the millennials that are hitting the marketplace with an expectation that people should be able to obtain a mortgage completely online, or at least in self-service mode, with the same type of customer experience they would have if they were shopping for clothes or buying a car online.

Consumer expectations, coupled with the regulatory environment, are increasing the competitive forces entering the marketplace. Additional examples of outside forces include advertisements talking about digital mortgages and quick mortgages.

Q: How has your knowledge and expertise from the big data industry benefited Mortgage Builder?

LARRY ALSTON: The influences I spoke about are driving lenders to look at new technology and will be based on things such as big data, consumer analytics, analytical reporting and the ability to scale.

We believe the industry will ultimately favor vendors who have the ability to scale — to work with their partners, to go out and audit partners, to deal with much higher loan volume and to properly handle the cost of regulatory compliance.

Technology will be hosted in the cloud, centered on data and providing accessibility to it. The data will not only

Industry Predictions

Larry Alston thinks:

1. I expect to see a continued influx of new rules and regulations.
2. Borrowers will continue to demand easier user interfaces.
3. Self-service will continue to play a growing role in mortgage technology.

help lenders drive business but also provide insight into how they can improve business. These are the key things that we are working on and plan to bring to the market over the next few years.

So, why does a “techie guy” from the big data business come to run Mortgage Builder? It is because I feel there is a huge opportunity to take what is happening in other industries and apply them to improving the mortgage process. Those improvements will provide our customers with a tremendous competitive advantage over time.

Q: Where can the mortgage industry benefit from change the most?

LARRY ALSTON: The biggest benefit that lenders can receive from the changes mentioned is the ability to close more loans at a higher quality using fewer resources while delivering an enhanced user experience.

We always talk about the lender wanting to close more loans with fewer full-time employees (FTEs) because everyone equates FTEs with cost. So, it is really about how a lender reduces costs. The ultimate goal of all of the changes that we are talking about, including putting data in the cloud, is to make a lending business more efficient. This efficiency will include making data more accessible to end users, closing more loans at a higher quality while adhering to regulatory compliance — and doing it at lower cost in a predictable manner.

Q: What should lenders look for when switching to new loan origination software?

LARRY ALSTON: Today's ever-changing mortgage market demands more from

lenders and their staff. There are more rules and regulations, increased pressure to produce results with fewer resources and intense competition for prospective borrowers. There is more urgency to increase profitability while mitigating risk. Today's online borrower simply demands more, which is why selecting the right Loan Origination Software (LOS) provider is about so much more than just technology.

For many, an LOS is nearly a commodity, but there is significant churn in the market. Transitioning to a new LOS is time-consuming and disruptive, so why do they do it? Lenders do not switch LOSs for a shiny new button or a sexy new user interface. They switch because their LOS vendor has let them down.

Yes, the platform has to meet configuration, end-to-end and scalability needs, but most LOS options do. The real question when selecting a new LOS is whether the vendor is the right partner for your business. Here are six areas to consider if you are partnering with the right LOS vendor. Here's what they should demand from their LOS:

1. Customer Service

Having the best technology doesn't matter much if customers are not fully supported or if the vendor doesn't have the expertise to meet the ever-changing lending requirements.

The right LOS provider understands the importance of a strong partnership. It's about developing relationships and fully understanding a customer's business model to consistently provide the ongoing support and service needed to achieve goals. It's about maximizing resources and your customer's expertise. It's about driving productivity through a partnership that allows you to demand more.

Some questions you should consider about your vendor include: If you have an issue that is preventing a customer from closing loans, how quickly will it be addressed? Will the customer be stuck in a never-ending phone system call queue or will they be getting answers from a live person that is fully vested in their success? Customer service is so much more than just a phone number and a ticketing system. The right partner goes above and beyond to deliver more to ensure customers are continuously satisfied.

2. Mortgage Expertise

Technology is important, but how technology is used is more important. Giving customers software and pushing them out the door is fraught with danger. How will customers improve upon their existing business efficiency? Even if they are happily deployed, what happens when they grow or diversify?

Customers need a team of experts who will support them through the transition. It doesn't matter if you have great technology if it isn't successfully implemented. It should start with a unique discovery and needs assessment process as well as proven implementation programs, and it should carry through everything the vendor does to support your needs.

Supporting customer needs includes live support, work groups, development of super users, knowledge transfer and annual tune-ups to ensure the sustained success of customers. Partnerships with providers should evolve with you and your lending needs to provide a superior user experience.

The provider must demonstrate extensive industry experience, take the time to listen to the customer's needs and learn how it does business by applying best practices and designing workflows to make the business more efficient. Providers need to be there from day one and throughout the contract to advise customers on how to improve efficiency so they can close more loans with fewer FTEs.

3. Compliance

It is critical to partner with a provider that has the resources, expertise and depth of understanding to constantly monitor, update and offer expert advice on changing rules and regulations. Some questions to ask yourself about your current provider are: How well did they support you during the TRID changes? Did they proactively offer insight and guidance about how to properly implement the required changes or were you left scrambling to meet deadlines? Are you still struggling to properly respond to TRID? Are potential penalties and fines looming? If TRID was any indication of how they handle regulatory changes, are you set up properly for the next regulator change?

You need an LOS partner that employs compliance leaders that truly understand how the regulatory changes will impact business and proactively work with your teams to deliver solutions well ahead of regulatory deadlines.

4. Growth

If you plan on growing your business as a lender — whether through new lending channels, M&A or other growth-related initiatives — the right provider needs to be there every step of the way. Partners must demonstrate an unwavering dedication to constantly enhancing their products, support and services to allow you to face these ever-changing market conditions with confidence. Providers need to be committed to developing solutions that keep the industry and your business moving forward.

5. Product Direction

Think about your current provider and answer these questions: Is your current provider dictating future product direction that you are forced to accept or do you have a say in what you need the solution to deliver? Do you truly have a voice? Future product direction should be done in a highly collaborative manner that allows you to provide key insight and input to a group of talented mortgage experts that are passionate about working with you to deliver solutions that propel your business forward.

6. Company Viability

The influx of new rules and regulations has severely taxed many LOS providers. Ask yourself: Does your current provider have the proper resources, financial backing and ability to deliver solutions going forward?

Many LOS providers with limited resources were barely able to meet regu-

latory requirements let alone deliver new and innovative solutions to meet the demands of today's borrower. A provider's long-term viability is a key requirement when selecting a new vendor. The right partner delivers more than just advanced technology.

Q: What do lenders have to focus on if they want to deliver innovation to potential borrowers?

LARRY ALSTON: Technology can't do it by itself. Things are changing and lenders can't keep doing things the same way just because it's how it has always been done. Lenders are going to have to adapt to the technological changes that are occurring if they want to be able to deliver innovative products and services to borrowers.

Software alone can't do that for lenders. For instance, when a lender implements a new LOS, it is an opportunity for that lender to rethink and change its business operations. If all a lender is doing is taking its current processes and automating them, it is missing an opportunity to improve. There is no value in automating a broken or inefficient process.

Lenders have to rethink their processes when they adopt new technologies. It is an opportunity, not a burden.

We are going to see national-scale lenders become much more aggressive in the marketplace. What people must realize is that these lenders are going to be able to offer more sophisticated products in a low-touch manner. That competitive pressure is going to become tangible — and the need to reinvent and retool is going to become more and more pressing. ❖

INSIDER PROFILE

Larry Alston is the General Manager of Mortgage Builder, which is an Altisource business unit. In his role, he is responsible for all aspects of the Mortgage Builder business and strategic direction. He has a track record of success in enterprise B2B software, most recently in his position as president of FuseSource Corporation, an open source integration and messaging company (acquired by Red Hat in September 2012). Before FuseSource, Alston held senior management positions at EnterpriseDB, IONA Technologies, and eXcelon Corporation.

