



MORTGAGE TECHNOLOGY

Industry Outlook

Leveraging Your LOS Tech In The New Refinance Era

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The mortgage market today is in a unique position in the business geography, caught between influences that have seldom met in quite the same way before. The

industry is in a restructuring mode, with some companies growing larger and others disappearing. We are also in a rate-driven, high-volume production cycle, with huge numbers of refinances arriving on the scene. The result is a confluence of sorts, with restructuring – complete with reduced competition, a regulatory climate favoring depository institutions and the dearth of warehousing – colliding with loan volumes swelled by the lowest rates in several generations. The resulting confluence, like the whitewater at the joining of two mighty rivers, is causing disruption and creating opportunities at the same time.

With the refinance market in full swing, lenders are well positioned to recoup a good amount of the financial losses sustained in 2008. Many did not survive, of course, leaving the market wide open to those that did, but not without challenges.

With warehouse funding still in doubt, for example, only those with adequate resources and beneficial partnerships are truly in place to capitalize on the huge volume of refinances out there. But another partner is there to assist that you may not have thought of in quite that way before – your loan origination software system, the LOS. It is a system you rely on every day and your people know it like an old friend, but it may have some tricks up its virtual sleeve that can help you get an edge on your better capitalized competitors.

Your LOS can do a lot more than simply help you process loans. Many of the better ones have extensive reporting capabilities, for example. This capability can generally yield complete data on refinance candidates whom you have served before, even if you don't own the servicing rights. With refinance rates in the 4%-ish range, there seems to be no limit to the numbers of eager candidates for new loans, and they are on the top of every lender's list, especially those with huge marketing budgets. For everyone else, getting their share of this business will mean taking preemptive measures to get the first crack at their own borrowers.

Your LOS may well be capable of looking at your entire portfolio and produc-

ing data streams that are parsed using configurable business rules to narrow down the field into manageable areas. These include groups of borrowers that would be responsive to your outreach effort because of rate alone, or because of upcoming ARM adjustments, or due to other factors. Once you have the information, almost regardless of format, from Excel spreadsheets and CSV files to more sophisticated reports, you can in essence feed it back to your LOS and create refinance offers using the marketing letter capability built in to most systems. Third party-provided CRM software or marketing systems may not be necessary for a timely outreach to your existing clients.

It is all about time for this market, even if the Obama administration is successful at keeping rates in the current range or lower for an extended period. The sooner you get your offer in front of current borrowers, the sooner you will have their responses. Your competitors aren't waiting, even those that are not truly in a position to serve inquiries very quickly at the moment. There is an excellent chance your borrowers have already been approached, and many of them may even have called the friendly mega-bank whose ads they see on television. Those that have responded

are very likely to have been asked to call back in two or three weeks because of current volumes. For the midtier lender, that is opportunity knocking.

Once the portfolio of previously closed loans is analyzed by the LOS reporting capability, and the information has been introduced into the front end as a collection of prospects, marketing pieces can be generated by the system and sent out electronically or in paper form. When the borrower responds to the offer with either a phone call, an e-mail or even via your LOS-enabled Web portal, their information is at the fingertips of your loan consultant. Since the borrower is a known quantity, they can be offered a streamlined process that mainly consists of updating their information and a few other items. Credit is pulled and a refinance transaction can be underway with the first conversation, impressing the borrower a great deal more than being told to call back in several days or weeks. In any given month, what does one or two days' loss of volume mean to your bottom line?

An important caveat here: not all LOS systems include these features, particularly those designed to run on a desktop PC. But most of the larger and more enterprise-oriented ones will be capable of letting you tap your existing customers preemptively at virtually no extra cost for things like bolted-on softwares or outside service providers. This is the essence of the end-to-end, open architecture philosophy, wherein systems are designed to be comprehensive and not reliant upon integration companies to piece components together. The arrival of the Software as a Service (SaaS) delivery method has advanced these concepts even further, enabling lenders to benefit from all-inclusive LOS systems without having to own and maintain a single server to run the software. It is all run and maintained by the provider, with the Internet supplying the conduit and saving clients huge amounts of money and human resources. Several SaaS providers are even sharing in their lenders' risk by charging only on

loans that go through the process to successful closings.

As operational concerns increase and lenders are forced to do more with less, the technology you are already using may well give you a time and service level advantage when it comes to battling your competitors for the refinance business in your own portfolio. In addition to processing your loans, the LOS can manage your documents electronically, produce compliant loan documents and deliver your loans to investors, all at no extra cost. Think of your LOS as your business partner – and make sure you are using all of its capabilities to the fullest.

Bill Mitchell is vice president for sales with Mortgage Builder Software, a leader in end-to-end loan origination systems available in SaaS, ASP and installed versions. Mortgage Builder is the 2008-2009 winner of the Mortgage Technology Magazine Help Desk Award, recognizing excellence in technical support.



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