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When it comes to the expensive business of originating loans, everyone is looking for ways to save a buck and get lean and mean. Interestingly enough, one answer may be right under your nose – or your fingertips: your loan origination software. Today's modern LOS is a real business partner to

the loan origination enterprise, one that does a lot more than ever before.

LOS systems can enable you to go paperless by providing Electronic Document Management or EDM, and this is where the true cost savings begin. EDM enables the origination company to keep the documents in the loan file electronic, which means the loan file itself is a virtual, electronic loan folder that is accessible to whomever the lender authorizes, but which stays paperless until closing. This means no more printing off 1003s created by the LOS, no more manila folders, no check sheets and laundry lists, no more yellow sticky notes in the files. It also means no more files left out on desks, hugely vulnerable to identity theft, no more standing at the copier, and vast reductions on office supply expenses. EDM will set your office free of dozens of expense-wasters involved in creating paper files, storing them, retrieving them and shipping them.

You won't fully appreciate how much money EDM can save until you try it, and if you are like others who have, you will find it a revelation. When documents come in via e-mail, it's a simple upload to the electronic loan folder. When exhibits arrive in paper form, you scan them on your digital copier and upload them. Electronic document management frees your office in many ways, and will become as standard as the LOS itself in mortgage offices across the land in a matter of a few years.

EDM and customer portals go hand in hand, and are another way your LOS can save you money. The portals are basically websites that are made available to your clients, whether Realtors, mortgage brokers, borrowers or all the above. They allow your clients to "serve themselves" when it comes to knowing

Saving Money Using Your LOS

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what's happening with the loans they are interested in. They are available 24/7, require little maintenance, and can drastically reduce status-checking phone calls. The portals can largely be "fed" by the LOS system itself, deriving things like conditions satisfaction, document population of the loan file and anticipated closing dates for relevant parties, all with security. Portals are like having a whole staff of invisible employees who work around the clock keeping clients updated and informed.

Your LOS system may also contain its own closing document engine, saving you the time and expense of doc prep companies without giving up compliance and accuracy. More LOS providers are including it with the system, just as they include the electronic document management capability. You draw docs without ever leaving the LOS system and immediately save the \$25-50 you normally spend each time you order a doc package from a third party provider. These are sent electronically to the closing agent or attorney, who prints them out for signing, and you've saved another \$25 or so on the courier service. When the signed documents return, they are scanned into the system and made electronic once again.

Because the information is electronic and really doesn't need to be in paper form, why bother to send paper to the investor? More investors are preferring electronic delivery, even to the point of reflecting that preference in pricing. Once again, the LOS system can save the time, trouble and material costs of printing out investor packages and shipping them across the country. Outside vendors will provide electronic investor delivery for \$25 or so, but your LOS provider may also include that important service as part of their basic offering. You should check.

Yet another way your LOS can save you money is by allowing flexibility in how you access and pay for its use. The full-featured LOS systems pretty much all started out as licensed or "installed" softwares you kept on your own servers. This business model, still popular today among larger companies, charges a flat fee for unlimited users, which makes sense if you

can take advantages of economies of scale. Not everyone can, of course, which is why a number of providers started offering a version known as the Application Service Provider, or the ASP model. In ASP, the provider keeps the software running and the client accesses it over the Internet. They are charged by the number of users in the company, so the client only pays to make the system available for the number of employees needed at any particular time. More recently, the Software as a Service (SaaS) has surged in popularity. It works like the ASP model, except the originator is charged by the loan, not by the number of seat licenses. The per-loan charge brings the benefit of eliminating another fixed cost; you only pay for what you use, which is an easy way to keep expenses variable, especially important when loan volume is dropping. Some providers offer all three business models – installed, ASP and SaaS – and allow clients to move from one to the next as their business situations change.

In another new and interesting wrinkle, some LOS providers are also sharing in the risk of loan cancellation by charging only

on loans that go through to a successful closing. Only a handful of companies are offering the “closed loan only” pricing approach, and for obvious reasons. But it illustrates confidence by the provider and it is certainly worth investigating.

EDM, Web portals, document drawing, electronic delivery and flexible service models are available now from LOS providers, and they are re-shaping the way origination companies are looking at the software they have come to rely on every day. Your LOS can save you money, time and effort, but it also does something else. It puts you on a par with the megalenders, at least in terms of origination technology capability and sophistication.

Keven Smith is president and CEO of Mortgage Builder Software, the Michigan-based LOS vendor. Mr. Smith has more than 20 years of experience in mortgage technology, and is a member of Freddie Mac’s Vendor Advisory Board, the Mortgage Bankers Association’s Residential Technology Providers Forum, and the Michigan Mortgage Lenders Association.