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MT MORTGAGE TECHNOLOGY

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why Guaranteed Rate?

Answers to why Top Originators and Company Owners join GRI

Guaranteed Rate is a licensed mortgage lender in 46 states and closed over $6.9 billion in 2011. In 2010, 20 Guaranteed Rate loan officers were featured in *Scotsman Guide*'s Top Originators list.

Sam Sharp

Senior Vice President of Mortgage Lending
2010 Funded Loan Volume: $74,604,201
2010 *Scotsman Guide* Ranking: 108

Why Guaranteed Rate?

Guaranteed Rate's processing system places our company ahead of the competition. From start to finish, the loan moves in a methodical and efficient system of checks and balances that allows the loan officer to close the loan transaction in a seamless manner.

Another advantage is that Guaranteed Rate is a large company that retains the feel of a small boutique shop; you can always speak directly to the people who run the show at Guaranteed Rate and they actually listen and treat you with respect.

Guaranteed Rate offers the most competitive rates and product selection available. Whether it's Conventional, Jumbo, FHA or our in-house portfolio products, I am always able to offer my clients low rates and the best finance options.

Derek Bamonte

Former Owner: Mountain Crest Mortgage
2010 Funded Loan Volume: $279,733,505
Personal Production 2010: $61,194,858
2010 *Scotsman Guide* Ranking: 157

Why Guaranteed Rate?

- Proven systems to help grow our LOs' business.
- Ability to originate directly with Fannie Mae and Freddie Mac, plus in-house underwriting and aggressive rates.
- Strong compliance department that oversees the constantly changing regulatory environment — and allows me to sleep much better!
- Executive management team who sees operations from an LO's perspective, as opposed to a bank board who does not understand our industry.
- Ability to originate in multiple states.

Shimmy Braun

Senior Vice President of Mortgage Lending
2010 Funded Loan Volume: $225,789,808
2010 *Scotsman Guide* Ranking: 4

Why Guaranteed Rate?

Having obtained close to $1.5 billion in personal closed volume over the past 11 years, Guaranteed Rate has given me the platform to utilize my talents and strengths to become a top loan officer on a local and national level. The combination of the most aggressive rate offerings and correspondent/broker relationships has given me a leg up on my competitors. Our marketing department is amazing. Whether it's e-mails, postcards or a billboard on the highway, it's always creative and gets the phones ringing.

The management team at Guaranteed Rate is second to none. They are accessible, flexible and knowledgeable, and they recognize that our input is valuable and important. The environment is one of a family trying to succeed; competition between the LOs is friendly with a true will for all to do their best.

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We are Currently Seeking Regional Manager Candidates. For further details contact Michael O'Donnell at 773.328.6460 or Michael.ODonnell@guaranteedrate.com

If you'd like to reach out to one of these loan officers, or learn more about Guaranteed Rate, please contact the Regional Manager in your market:

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Ready for Change

Electronic signature adoption for Federal Housing Administration documents and the Internal Revenue Service Form 4506-T is a long time coming. This month's cover story explores the industry challenges that the current, antiquated policies present and what changes that, at long last, could be coming to the procedures at these critical government agencies.

By some accounts, the FHA has been working on its e-signature policy for nearly five years and so far, has very little to show for it. Meanwhile, the IRS—hardly anyone's favorite sector of the federal government—is much further along in its development, with two pilot programs in the works to modernize the 4506-T process.

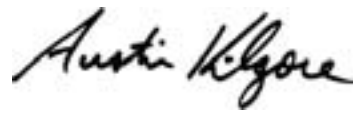
For lenders who originate mortgages under both FHA and government-sponsored enterprises guidelines, the prospect of having two separate procedures for delivering initial disclosures and collecting signatures is enough of a reason to keep them from adopting paperless processes.

Faced with such uncertainty—not to mention the extensive and persistent pressure from new regulatory requirements—it's hard to blame lenders who are unwilling or unable to go out on a limb and embrace paperless.

But *MT* will continue to recognize the lenders and servicers whose path to future growth is charted with innovations like paperless and the vendors that provide the technology to makes the evolution possible.

This year's Top 50 Service Providers list will be revealed in the June issue and the nomination process is already in full swing. There are also a number of exciting changes coming to the 13th annual Mortgage Technology Awards and the Top Tech-Savvy Lenders and Servicers list.

For more information about the three programs, visit mortgage-technology.com. If your company is helping lead the charge for a more advanced and efficient industry, we look forward to receiving your nominations.



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by Sanjeev Malaney

More Than Innovative

Going paperless makes sense because it cuts costs and grows business.

MORTGAGE LENDERS DO NOT HESITATE TO REEVALUATE THEIR LEGACY loan origination system if they find it is wasting time and money—they take advantage of technical integrations that automate data import and other new innovations. Lenders would also never keep a legacy system if there was a threat it could spontaneously combust and destroy their data or hold on to a system they knew was holding back loan production. For some reason, however, lenders continue to maintain one of the most notorious legacy systems on the market and attempt to work around its downfalls each day—the outdated, clunky paper system.

Paper is hindering lenders at a time when compliance and efficiency are key to profitability in the midst of record-low volumes and increasing government oversight. While many professionals believe paperless processes solely generate costs savings, lenders should make the shift to paperless to gain the efficiencies needed to boost productivity.

Paperless is not just about savings or being trendy and digital. In addition to dollars and cents, it is about improving risk management and identifying a strategic means to quickly and easily scale production. By engaging experienced, expert software and service providers, lenders can modernize their internal operations as well as vastly improve service response times.

Scaling Up to Grow Revenue

Going paperless continues to be thought of by many as simply a means to save money on paper, toner, mailings and stamps as well as a way to be kind to Mother Nature. But these are only cost savings for a lender and going digital should be viewed as a way to respond to sales opportunities in a timely manner. There is much for lenders to leverage—they can increase production, service and efficiency to process and close more loans by taking the step towards a truly paperless environment.

Going paperless to increase revenue as opposed to simply reducing costs means a lender's potential return on investment is exponential because it drives top line growth. There is always room to increase sales and grow a business, but if lenders are only focused on the cost side, they can only drive cost to zero. Of course, the cost savings are certainly a benefit, but if electronic document handling is just about reducing paper and toner use, big deal. Where is the true business value?

Until recently, the traditional view of a paperless office was that digitizing documents would reduce paper use. In reality, e-docs have actually increased the amount of paper used, as people failed to realize what paperless really means or what the technology can truly achieve. Mortgage professionals need to recognize the technology's evolution.

Many lenders claim to have paperless operations when in reality, they may continue to use paper in some departments or be paperless solely on the back end, such as their archival operations. Many mortgage lenders that scan and enter an electronic image into an LOS think they are paperless. But, what happens when they want to share that document with the underwriter or insurance agent? How do they collaborate? They can't.

The traditional LOS doesn't not lend itself to sharing a loan document easily with someone outside the organization. The file must be packaged and sent via overnight courier, postal mail, fax or email, which actually increases the amount of paper used. Think of how many participants are involved in the loan process: lenders, aggregators, investors, brokers, title agents, closing attorneys, real estate agents, servicers and more. All parties and organizations use their own technology and have their hands on the documents.

As more participants are involved in paper-based document handling, chances for mistakes increase significantly. Since loan documents from separate organizations come in a variety of formats, there are often major discrepancies and all the parties involved may lack a comprehensive view of the loan folder.

With hundreds of pages involved in a standard loan file, a truly paperless system automates file and document conversion, regardless of packaging requirements. It also provides an auditable communication chain and automatically recognizes and sorts through document types. Transitioning to a paperless environment improves the speed at which lenders can have data at their fingertips and move processes along.

With paperless technology, there is no more searching for paper, spending hours organizing or probing through file cabinets for a loan folder or spending time away from the desk faxing and printing files.

> Paperless technology guarantees an **easily accessible paper trail** of the loan file and enables lenders to gather information rapidly.

By taking the steps toward greater collaboration with electronic files, everyone working with a loan file now has the data at their fingertips simultaneously, greatly increasing productivity and efficiency. Lenders can also now provide better service once they have employed a system that allows them to operate electronically.

Since the housing market's collapse, borrowers' trust in the mortgage process and lenders themselves has been low. But if lenders take the time to educate borrowers and meet their needs more effectively by relying on a faster, more efficient origination process, this sentiment can change. With e-docs, lenders can spend more time with borrowers instead of solely focusing on the loan file.

There is also a major generational shift in the way we work and the way we socialize. It is all about emailing, text messaging, sharing and digital media, and everything involves real time collaboration. Generation Y and its predecessors want short, to the point communication and the ability to share everything.

The mortgage industry needs to adopt modern business methods to accommodate the new generation of buyers that is used to digital communications. Gen Y often prefers the option of viewing and even signing documents remotely, without needing to handle paper or even visit a physical bank branch.

All communication takes place electronically today and mortgage lenders should follow suit. If lenders choose to ignore new technologies, they are in essence writing off the next generation of home buyers.

If a lender houses its paper loan files in an office or storage unit, it is putting the files and confidential information at risk. What if the building is broken into, burned down or damaged by inclement weather?

Using trusted, bonded third-party storage services can alleviate these issues, but come at a cost and are normally remotely located, increasing time and cost for any search and retrieval. Systems that enable paperless workflow back up all files in the cloud, allowing them to be accessed outside of the organization's walls.

The Consumer Financial Protection Bureau started its audits of mortgage bankers in February. Auditors can remain onsite conducting reviews at a branch for up to two weeks. How quickly can most lenders gather files for an auditor, even if they are all physically available at the branch?

Pulling files for an audit or quality control check is difficult in a traditional paper environment. Paperless technology guarantees an easily accessible paper trail of the loan file and enables lenders to gather information rapidly. In addition, all corresponding communications relevant to that folder are housed in one location.

Paperless technology is fostering a faster and more convenient mortgage experience. It enables a lender to be more efficient, gain additional business, improve revenue and recruit more loan officers, since they can offer better tools to use and allow them to focus on their core competencies. Going paperless the right way should simplify the loan process, not make it more difficult than using paper. MT

Sanjeev Malaney is CEO of San Francisco-based document workflow provider Capsilon.

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Beyond Spreadsheets

The strategy to grow a multifamily origination business includes integrated systems.

THE MULTIFAMILY HOUSING INDUSTRY HAS LARGELY RELIED ON spreadsheets and other user tools to perform most business processes, including underwriting, origination, pricing, servicing and accounting. Due to increased requirements for controls, data integration and operational efficiency, a new wave of tools have emerged. As a result, some of the larger multifamily originators and investors have started to stick their toe in the uncharted territory of commercial off-the-shelf tools, but there is still a lot of uncertainty.

Spreadsheets are the backbone of financial analysis. Whether creating a pro forma on a multifamily property, reviewing the principal's financials or analyzing a property's budget versus actuals, the originator and underwriter rely on the speed and flexibility of spreadsheets. However, spreadsheets have insufficient built-in controls for data, validations and security.

Multiple spreadsheets can be difficult to integrate into management dashboard and pipeline reports, which prevent data mining analysis. Also, with the increased use of mobile computing and the exponential growth of smartphone technology, spreadsheets alone cannot offer ease of use and the format of choice for today's virtual workplace.

So what does all of this positive and negative of the spreadsheet mean for multifamily lenders? It depends. For a smaller lender whose transaction volumes are not high, spreadsheets are the common choice for analysis, process tracking and management reporting. For the larger lender, the flexibility of spreadsheets is necessary for loan-level decision making, but not as much for pipeline and portfolio management. What should lenders do? Define the strategy, understand business processes, research available products, determine the costs, evaluate the risks and make a decision to move forward.

Size Does Matter

A small multifamily lender processes and closes anywhere from 10 to 50 deals or more a year and is building a servicing portfolio. The small lender is typically in a few markets with a small number of office locations. The entire staff knows every deal and acts as built-in quality control because multiple eyes are always looking at the deals. Small lenders typically manage their business with spreadsheets. But this strategy may not support a growing business. For lenders that are closing more than 75 deals a year, spreadsheets become unmanageable. They're no longer the little guy in a local market, but a bigger player doing deals across multiple states. They need to be more competitive.

When a lender's loan volume begins to grow, the ability to track business pipeline becomes even more important. There are too many deals to track using manual spreadsheets. The ability for lender executives to have portfolio information at their fingertips about legacy deals in the market is essential for analysis. This type of information management is not manageable by spreadsheets.

In order to remain competitive, small lenders need to be structured like the large national lender, with an integrated underwriting system and the ability to provide market, sponsor and property history reports and information at the push of a button.

Many years ago, a senior executive at a national multifamily lender once said to me, "I can hire three college kids at minimum wage to do all my spreadsheet work; I don't need to invest in a big underwriting system." That is a strategy. But in this case, that lender was bought out by one of the big banks that had its own origination and underwriting system.

Build vs. Buy

Once a lender becomes a bigger multifamily player, executives need to determine which path to follow: do it yourself and build a custom system in-house or buy commercial off-the-shelf technology. But without significant resources and broad-based funding, most small lenders will find their best bet is with a COTS product.

There are currently five COTS products in the market that specialize in multifamily lending. Of these five, only three offer fully integrated origination, underwriting, servicing and asset management functionality. All three vendors offer spreadsheet functionality in their systems equivalent to that in an Excel spreadsheet.

The advantage of DIY is building an internal system, with complete customization to the company's needs. The single biggest advantage for this type of system is user adoption. In-house staff will have a system that does exactly what they want, when they need it. That is a system they will use.

> Cost is the **number one driver for system upgrades,** but the other concern is whether a lender wants to lead or follow in innovation.

The most important factor in the DIY versus COTS debate is actually the same for both—lenders must have clearly defined and documented business requirements.

The biggest disadvantages for DIY can be additional cost and time. Lenders who build a system in-house are starting from the same point as a COTS solution, but are building from scratch, not filling a gap in an existing system. Therein lies the time and costs.

The advantages of using a COTS system over a fully customized solution are lower initial and maintenance costs, better technical staffing and "help" functions, regular system enhancements to stay current with market developments and a shorter implementation time.

Ask the Right Questions

Once a lender has determined which strategy it will take, finding the best software is next. Cost benefit is obviously the first and easiest consideration. Other things to consider are the vendor's experience, stakeholder buy-in and available customization.

The new system's functionality will contribute to increased credit quality and consistent standards. Fostered by an integrated system with decisioning capability, this improvement in credit quality can lead to fewer defaults. The opportunity for cost benefit can be measured and provides further impetus for a new system.

Follow the Leader

Cost is the number one driver for system upgrades, but the other concern is whether a lender wants to lead or follow in innovation. Deals today are more complicated and require more work to get done. A lender's competitive advantage lies in having an integrated system that provides rapid scalability, efficiency to get market information from a portfolio immediately and accurately and the ability to decide "no" as early as possible.

An integrated system will automate loan processing. Borrowers can electronically receive notifications for missing, incomplete or inaccurate information, as the information is received. Underwriting decisions will be made faster and more accurately with built-in business rules and logic. Credit risk will be consistent across the portfolio. Process time will be reduced.

Implementing an integrated technology system for multifamily commercial mortgage lending is the competitive edge that will increase the number of loans originated, reduce costs and make lender users stand out as leaders in their industry.

Doing nothing costs nothing. Lenders will still close deals and can manage their pipelines. But the questions that lender executives and their teams should be asking are whether they can grow their business? How much more time is going to be spent on the administrative and controls inherent with using just spreadsheets? How can credit risk be improved? Can decisions be made faster and originators spend more time on the best deals that make the most sense?

It's a matter of staying ahead of the competition. Implementing technology systems that reduce administrative tasks and allow lenders to focus on their core competency means they will do more business. MT

Tom Sitzler is senior manager of McLean, Va.-based advisory firm Actualize Consulting.

Illustration by Peter Bollinger

Removing the Federal Barrier to E-Signatures

FHA and IRS policies could usher in growth of paperless adoption.

In the current consolidated market, a substantial majority of mortgages are originated under Fannie Mae, Freddie Mac or Federal Housing Administration guidelines. And in the wake of the FHA's expanded share of business, the discrepancy between the government-sponsored enterprises' embrace of e-signatures and the Department of Housing and Urban Development's paltry and inferior e-sign policy is a bulging clog blocking the pipeline to widespread adoption of paperless technology.

Further obstructing e-sign's path is the Internal Revenue Service's procedure for borrowers to request copies of their tax records so lenders can verify their income. It's a cumbersome and timely process that would benefit from digitized automation.

But now, the stream of paperless adoption may soon begin to pick up, as the IRS and FHA are developing policies that will allow mortgage lenders and borrowers to electronically sign a variety of documents crucial to the mortgage origination process. Progress on these two initiatives has been slow, but mortgage industry insiders working on them are optimistic the changes will take effect this year.

What's less certain, however, is whether these new policies will release a surge of new e-signature use or simply clear the way for a steady flow of adoption of paperless and e-signature technologies in the mortgage industry.

By Austin Kilgore

IRS Form 4506-T, the "Request for Transcript of Tax Return," gives lenders permission to review borrowers' tax returns for income verification. Providing e-signature functionality on the 4506-T will remove one of the last physical pieces of paper tripping up the paperless origination efforts of even the most technologically advanced lenders. And the changes being considered at the FHA will bring the procedure that lenders follow to structure mortgages under the federal government's insurance program in line with the current standards and practices at the GSEs.

But as the housing and mortgage crisis enters its fifth year, FHA lending has emerged as a dominant market force. FHA market share surged to 19.8% in 2008 and peaked at 21.1% in 2009. Currently, FHA loans account for approximately 17% of the total market share of single-family mortgages.

Vince Kasperick, president of online-only mortgage lender Aimloan.com, said his company recently began originating FHA mortgages, but said the additional document requirements—particularly given that most FHA borrowers are first-time homebuyers—will be more difficult than GSE loans.

"When FHA comes on board with e-sign, that will be lenders' jump-start into it. Some are holding off because they don't want two processes for conventional and government loans."

Robin Hannah, Vice President of Correspondent E-Business
WELLS FARGO

Digital signatures have been legal in the United States since the passing of the federal Electronic Signatures in Global and National Commerce Act in 2000 and the Uniform Electronic Transactions Act, legislation created by the Uniform Law Commission in 1999 that serves as a template for state-level e-signature laws.

Freddie Mac began accepting e-signatures on documents for the mortgages it purchases in 2001, followed by Fannie Mae in 2002. In 2004, the first electronically signed promissory notes, or e-mortgages, were originated.

While fully paperless e-mortgages continue to be a niche product in mortgage finance, borrowers applying for a loan originated under GSE guidelines can e-sign virtually all the documents in the initial disclosure package, which includes the mortgage application, Truth in Lending disclosure, Good Faith Estimate of fees and settlement costs and various other authorizations and disclosures.

While the FHA established a policy in 2009 to accept e-signed third-party loan documents like real estate sales contracts, it still requires ink, or wet, signatures on its lender-originated mortgage documents. The discrepancy didn't garner much attention during the mid-2000s housing boom, as FHA-insured loans have historically held only a small fraction of the overall mortgage market share—5.1% of total single-family mortgages originated in 2007.

"My guess is they're going to require more loan officer time and processor time to help the borrower through the process," Kasperick said. "That's where the challenge is going to be. How do we originate government loans in a very efficient way so that we can offer really aggressive pricing? We've always run our business by competing on price and you need to be very efficient to be able to do that."

IRS policies, meanwhile, pose another challenge for lenders' paperless efforts. The 4506-T is included in the initial disclosure packages for both GSE and FHA loans. Verifying income based on a borrower's tax return data is an important fraud detection tool, but can be a time-consuming part of the underwriting process because the IRS requires the form to have the borrower's wet signature.

To ease this burden, a number of technology vendors offer 4506-T services, acting as a middleman between the lender and the IRS to handle the task of collecting and faxing the authorizations to the IRS and returning the transcripts.

ESIGN and UETA both require customer consent for e-signatures, but the FHA and IRS policies are among the few laggards in the mortgage industry to not even make e-sign an option. The lack of e-signature functionality is causing some lenders to not use them on any documents.

Wells Fargo, a dominant force in the correspondent channel, sees it first hand with its lender customers.

"For some lenders, having an inconsistent process across all products is not an option. Some lenders are holding off implementing electronic signatures until they can offer for all products," said spokesman Jim Hines.

Speaking at a roundtable of *MT*'s advisory board in November, Robin Hannah, Wells Fargo's vice president of correspondent e-business, said e-sign is of great interest to lenders.

"They're definitely interested in ways they can use technology to streamline their processes," she said. "When FHA comes on board with e-sign, that will be lenders' jump-start into it. Some are holding off because they don't want two processes for conventional and government loans."

In May 2011, the Mortgage Bankers Association launched a public campaign to encourage the FHA to adopt e-signatures. Then in July, MBA officials met with the IRS to discuss e-signature adoption for the 4506-T.

"E-signatures would reduce costs for activities such as, printing and mail couriers for both borrowers and lenders. These benefits eliminate many of the annoyances of a paper-based process, including lost or inconsistent documents," wrote Stephen O'Connor, the MBA's senior vice president of public policy and industry relations in a letter to then-acting FHA commissioner Robert Ryan. "In addition, consumers would have greater flexibility and convenience within the home buying process because they would not have to change documents and related signing processes if they changed from a conventional loan to an FHA loan."

E-Sign and E-Transcript

Since the MBA started its advocacy efforts, the IRS has developed two initiatives for the 4506-T, an e-signature process that closely resembles the existing procedure and a new automated electronic transcript process.

With the e-sign function, lenders will send borrowers a digital version of the 4506-T, along with the other electronic initial disclosures. But rather than the current practice of printing, wet signing and then scanning and emailing or faxing the form back to the lender, borrowers will e-sign and submit the form with the other disclosures.

A group of 12 lenders have been using this procedure since July in a limited-scope pilot program, explained Jeff Knott, director of product management of Equifax Verification Services, which offers 4506-T services and was chosen to participate in the pilot program with e-signature vendor DocuSign.

The pilot ended on March 31. In time, Knott said the IRS plans to open it up to all vendors and lenders in the industry, which he expects to happen at some point in 2012.

Equifax Verification Services is also participating in the preliminary stages of the e-transcript policy, where borrowers can skip signing the 4506-T altogether. Lenders will direct borrowers to an IRS website where they will create an account and authenticate themselves based on taxpayer information the IRS has on individuals, Knott explained.

From there, borrowers can request which tax transcripts they want and where they want them delivered. The e-transcript service will automatically deliver the data to the lender, rather than the two-day waiting period it takes on the traditional paper-based 4506-T process.

"The 4506-T was so tied to the wet signature and the electronic signature broke down the first barrier," Knott said. "E-transcript is knocking down another barrier, where instead of having to print out and process these forms, the IRS can provide that instant report."

Curtis Knuth believes the biggest benefit of e-transcript is that it will move income verification earlier in the loan process.

The IRS has selected the lenders and vendors who will participate in the pilot, Knuth said. In addition, Knuth, Knott and three IRS officials are scheduled to close out the MBA's upcoming technology conference with a panel about the 4506-T. While the panelists were keeping the specifics of their discussion under wraps at press time, it's very possible that could be when the IRS makes a formal e-sign announcement.

"The 4506-T was so tied to the wet signature and the electronic signature broke down the first barrier. E-transcript is knocking down another barrier, where instead of having to print out and process these forms, the IRS can provide that instant report."

Jeff Knott, Director of Product Management
EQUIFAX VERIFICATION SERVICES

Knuth is executive vice president of Egg Harbor City, N.J.-based consumer data provider NCS, a vendor working on the e-transcript pilot. While the system will be automated, he said there will still be a place for vendors that provide software to prevent borrower fallout during the loan process.

"Vendors can develop different systems on their on that will continue to stay in touch with the consumers throughout the process," he said. "We'll have time stamps for each action and if a consumer doesn't take an action within a certain time frame, the vendor can send text messages or emails or call to remind them to take the action."

But vendors won't be able to simply serve as a middleman between lenders and the IRS. "For the vendors who are just passing transcripts back and forth, I think they're going to have a hard time continuing to do that," Knuth said. "For those banks that feel that there's value with the e-transcript process, that's going to be a nice piece because you're going to be able to move the entire income verification piece earlier in the application and better qualify consumers as they move through the origination pipeline."

"And because we're moving from a manual to automated, system-to-system process, we expect price of e-transcript to be less," he added.

The IRS declined repeated requests for comment about the two initiatives. But Knott expects the IRS to roll out a pilot program for the e-transcript service in the second quarter.

Knuth hopes that the production version of the e-transcript function could be live by the second quarter of 2013. But even as these new options become available, the paper-based process for the 4506-T will remain, Knott believes.

"We're going to have some borrowers comfortable with the e-transcript process, but we're also have to think about the lenders in this situation," said Knott. "If they have a established process where they're getting consent for verification of deposits, title insurance and everything else in that large stack of paper involved in a mortgage application, I think they will continue to need the ability to continue to make the 4506-T part of that process for consistency, versus breaking up that process for the taxpayer."

FHA Progress Stalls

Meanwhile, the MBA's efforts have been less successful at the FHA. After the MBA publicly announced a breakthrough with the FHA on the e-sign efforts in November, the initiative has since been sidelined, leaving MBA officials quietly scratching their heads wondering what happened.

According to industry professionals close to the FHA efforts, the initiative was on track to finalize the new policy by the end of 2011 before it hit a roadblock. The work to develop the policy is said to be complete, but personnel working on the effort for the FHA cannot get senior decision makers to approve the new policy.

"It was supposedly going through the process and all of a sudden, it stopped," said an official involved in the efforts, who spoke on condition of anonymity. It wasn't one of those slow deaths. It just stopped."

HUD declined to make FHA officials available for comment on its e-signature policy and a spokesperson said that "there is nothing new on this issue to discuss at this time."

"Finding the right senior champion has probably been one of the biggest hindrances of this," said Kelly Purcell, executive vice president of eSign Systems, a division of Wave Systems Corp. that provides private-label and direct enterprise e-signature technology to the mortgage industry.

The delay appears to be related to the departure and replacement of key FHA personnel. Vicki Bott, who had served as HUD's deputy assistant secretary for single-family housing, left the organization in June 2011. Bott's successor, Charles Coulter, joined HUD in January, after previously serving as the vice president for business transformation at Freddie Mac.

"This issue is currently on hold because our Office of Single Family Housing is in the process of getting a new management team in place. We do plan to pursue this issue in the future," the HUD spokesperson said in a written statement, citing Coulter's recent hiring.

According to Melanie Feliciano, chief legal officer of Torrance, Calif.-based doc prep vendor DocMagic, FHA's e-sign policy has a long history of issues. She recounted a conversation with HUD officials in 2009, where she was told that the FHA had already been working on its e-sign policy for two years.

The Justice Department did not respond to *Mortgage Technology*'s multiple requests for comment.

Prior to the recent setbacks, FHA officials met with e-sign vendors, including Purcell. A major concern for vendors is ensuring the FHA's policy doesn't deviate from industry norms.

"There are best practices that are happening and are established in the mortgage industry today for the way it's normally done," Purcell said. "We want to make sure that FHA understands those best practices."

Purcell said the FHA considered three draft proposals, getting input from industry professionals, who encouraged the FHA to base its policies on existing Fannie Mae and Freddie Mac guidelines. "From what I've seen, they're definitely not going way left or way right, they're right in the middle," she said.

Despite the challenges, Purcell believes that the FHA will move forward with the policy sometime in the second quarter of 2012. Once implemented, she believes lenders will be encouraged to adopt e-signatures and paperless documents for both the FHA and GSE loans that they originate.

"Not having the FHA on board has definitely hindered e-mortgage adoption all around because most companies have to have one way for FHA and another for conforming and nonconforming agency loans," she said. "When FHA comes out with this—which is why everyone is so excited about it—there are no more excuses."

But Sharon Matthews, CEO of e-document and e-signature vendor eLynx, said the FHA move is a positive step, but won't garner immediate widespread e-sign adoption.

"The FHA Home Mortgage Insurance Division had to ensure that the Justice Department's ability to prosecute would not be jeopardized by electronic signatures."

Melanie Feliciano, Chief Legal Officer
DOCMAGIC

Feliciano said officials at that time told her that the process was delayed after the Department of Justice began to raise concerns about the security of e-signatures.

"HUD had to prove to the Department of Justice that the electronic signatures would be tamper proof," she said. "The FHA Home Mortgage Insurance Division had to ensure that the Justice Department's ability to prosecute would not be jeopardized by electronic signatures."

"Will it help? Absolutely. But I don't think all of a sudden, the floodgates open, the sun rises and all of a sudden we're all walking on water," she said.

Still, Wells is preparing for more e-sign use, Hines said. "When FHA announces their acceptance of e-signed docs, we believe lenders will be able to align their products and tools quite easily. Wells anticipates a number of e-sign client approvals will be requested upon announcement of FHA's acceptance." MT

HOW TO $UCCEED IN SOCIAL MEDIA (BY REALLY TRYING)

BY TED CORNWELL

In a few short years, social media sites have evolved from being a province where teenagers congregate to a common platform where people of all ages and walks of life share information. And the definition of "friends" is mutating as well. Increasingly, people use social media sites such as Facebook, LinkedIn and Twitter to follow or connect with acquaintances, business associates and customers.

The question for mortgage lending professionals is how to leverage social media to generate and maintain business and enhance profitability. Lenders say they believe that social media sites are a necessary venue for promoting their business, but they aren't too sure how they can measure the impact of their social media presence in the digital world.

Still, social media experts and loan originators who have invested time and effort into building a social media presence believe it is a crucial means to build their brand and gain the trust of potential customers.

In a world where 94% of homebuyers begin their search online, social media sites are increasingly becoming an attractive place for lenders to meet and engage with their next customers.

WHERE TO FIND WHOM

Elizabeth Rose, a Dallas-based certified mortgage planner, said that while Facebook is the best medium for engaging with mortgage customers, LinkedIn, and to a lesser extent Twitter, are more useful for engaging with business contacts. But she said mortgage brokers and loan officers need to avoid trying to use Facebook and other social media as purely advertising platforms.

"When we started to realize it could be used for business purposes, I think people didn't realize it isn't a marketing platform. It is a social platform," Rose said. "In order to really connect, you have to be social. You can't always be pushing something. Yes, it is online and it's not face to face, but it is relationship building."

Rose said social media outlets give her the opportunity to make an impression on potential customers.

"Honestly, I think it is a little difficult to measure, but I also think that whether you can measure it or not, I still think it is highly necessary if nothing else just to remind people that you are there, who you are and what you do," she said. Twitter allows her to stay connected with people who she's done business with before, Rose added.

She has also been using the real-time chat features on different social media platforms for several years now to communicate with her business partners and sometimes with mortgage customers, too.

"I honestly don't know how you get through the day without it. For me, it's so helpful to have that," she said.

When it comes to mortgage customers, younger loan applicants, like first-time homebuyers, are more likely to rely on social media for communication than older customers.

"I moved away from it because to me, using it for my chatter, I want to be unique rather than saying the same thing in the same way on all three or four networks," she said.

"FOR THE FIRST TIME IN MY CAREER, I'M REFERRING MORE BUSINESS TO MY REALTORS THAN MY REALTORS ARE REFERRING TO ME."

Dan Keller, Mortgage Broker

Senior customers still want face-to-face contact; middle-age borrowers are comfortable using email and borrowers younger than 30 want short and sweet text messages, Rose said.

When she first started incorporating social media into her business, Rose invested a lot of time into building her online presence and felt "shut in." It's easy to get distracted online and spend time checking other people's social media posts. "Now I'm more accustomed to it. I don't let it eat into my day," she said.

Rose has tried using a dashboard service to coordinate her social media activities between different sites and sees value in that type of service, but she also feels that it can make a person's social media presence seem "automated."

Rose doesn't believe that real estate agents are ahead of the curve compared to mortgage bankers in their use of social media. In fact, she believes many agents are "a little late to the party" when it comes to utilizing social media.

While sites like Facebook, LinkedIn and Twitter have created new ways for people to share information, she does not believe blogs are becoming obsolete. Regardless of social media outlet, the goal is to land on the first page of a potential customers' Web search results.

"I do think that blogs will continue to be important and they'll certainly add value to somebody who has their blog optimized for search results," she said. "It certainly does make one look very professional and knowledgeable."

Seattle-based broker Dan Keller views social media as an extension of his blog, mymortgageguydan.com. Keller's efforts earned him a spot on *MT*'s 2011 Top Tech-Savvy Lenders list.

Keller's LinkedIn profile also includes recommendations from real estate agents and is "a huge reader board for why someone would want to do business with me," he said.

"THINK ABOUT IT; YOU'RE IN FRONT OF MILLIONS OF PEOPLE AND IT'S FREE. YOU CANNOT IGNORE THIS AVENUE. IT'S NOT A FAD. IT'S GOING TO BE HERE FOR THE LONG HAUL."

Victoria Del Frate, Executive Coach

Keller said that his blog and social media activities have allowed him to create a brand presence that would have cost hundreds of thousands of dollars five years ago. "Social media plays a huge role in terms of branding me and getting my name out to thousands of people," he said.

Keller said he uses Twitter "to connect with people who are smarter than me." He also has more than 600 connections on LinkedIn, which is optimized to help potential borrowers who are looking for a Seattle-area lender for Federal Housing Administration-insured mortgages find him.

But aside from his blog, he said YouTube is probably the most important social media platform for him. He often follows up important blog entries with a video explanation of the subject, which allow viewers to click out of the site and onto his blog to read the full entry. That conversion method brings potential borrowers to his website looking for educational material.

"They can see I'm for real. I'm not selling. I'm not pushing something down someone's throat," Keller said. "For the first time in my career, I'm referring more business to my Realtors than my Realtors are referring to me," Keller said.

Keller also plans to make use of paid advertising on Google and perhaps Facebook for the recently revised Home Affordable Refinance Program, dubbed HARP 2.0. But he doesn't think advertisements can replace search engine optimization. Still, social media ads can be targeted to a great degree of specialization, so he can focus the ads on big Seattle-area employers, such as Microsoft and Boeing.

"I also take the mindset that the consumer is smart. They instantly know the shaded yellow links are ads," he said.

Keller estimates that more than 50% of his business comes from his website and social media connections. Because he entered the mortgage industry in 2008 after working as a professional baseball strength and conditioning coach, he doesn't have a huge database of past clients that can be mined for refinancing, so he focuses on purchase lending.

"I set out to be different than other mortgage professionals. I didn't want to be the guy going out and bringing donuts and chocolates to my Realtors' offices," Keller said.

BUILDING CREDIBILITY

Dan Green, a loan officer at Waterstone Mortgage in Cincinnati and author of themortgagereports.com, said social media attracts attention to his blog and helps reassure consumers about his respectability. "Something that I learned a long time ago is that whether we expect them to or not, our customers are going online to check us out," he said. "They want to know who we are and what we're about."

Today, a lender's website is his storefront, Green said, and if it doesn't measure up to consumer expectations, it will turn them off, just as a dirty grocery store might deter consumers.

Green's website receives a half million visits a month, he said, and the number is still growing. He uses social media platforms such as Twitter to attract business to his site, which is the only place where leads can actually be converted into loan applications.

He also blogs daily, often focusing on mortgage-related stories and issues that are in the news. "What I've always tried to do is break down what questions a homeowner might have after reading a story," Green said.

More important than page views is directing consumers to his Rate Quote Widget, an online platform for managing leads. Green, a former software developer, recently released a turnkey version of Rate Quote to sell to originators.

In terms of developing leads from the Internet, Green notes that it's important to focus on generating relevant customers from the geographic area where a loan officer is licensed. Most loan officers do not do business in all 50 states and social media and websites can attract many useless leads if a loan officer is not careful about how an online presence is managed.

Green does not spend money on social media advertising, instead letting his blog and social media presence attract attention. Strong content and frequent writing tell search engines such as Google that a site is relevant to someone looking for a lender online, he said.

Green said his online presence is his only real source of leads. "All of my new clients are folks that have found me online one way or another and have decided that they want to work with me."

Victoria Del Frate, an executive coach who focuses on the mortgage industry, said banks and other financial institutions that prohibit employees from using social media are blocking their loan officers from a huge marketing opportunity.

She is also a fan of using Facebook to connect with potential customers and business partners. One of her clients is even using a Facebook fan page as a recruiting tool to hire new loan officers. But like any other form of marketing, social media sites require an investment of time.

"You can put your fan page together and ask people to join, but if you are not constantly updating, it can die out quickly," Del Frate said. "It's not just like you have a fan page and the leads just start coming in."

She urges lenders to share documents via social media. Platforms can also be used to promote meetings or events targeted at potential customers, like a first-time homebuyer fair. The goal is to get hits to a fan page that then allow lenders to "pull them out of the fan page and get one on one with them," Del Frate said.

For a fan page to be successful, loan officers and brokers need to start by getting 25 or more fans and then expand its presence from there by generating content. If followers respond to a post, then lenders can reply with an email from their business account.

"Think about it; you're in front of millions of people and it's free. You cannot ignore this avenue," Del Frate said. "It's not a fad. It's going to be here for the long haul."

She suggests "plumping up" a fan page site before sending it out for friends or colleagues to "like," so that they'll see that it has valuable content. When meeting potential customers or business partners, she says lenders should ask them to "like" the fan page, just like they routinely hand out business cards.

Facebook also helps lenders follow up with past borrowers to build repeat business. On Facebook, for instance, a mortgage originator might find out from wall posts if someone is likely to move or be a candidate for refinancing.

"If you've got them on Facebook, you will always be able to track them down. And you get to stay in front of them more easily," she said.

In addition, she said lenders are discovering how to buy ads on Facebook. It's an easy process, with a step-by-step guide to walk users through the process. Lenders can even upload graphics and photos to use in their social media advertisements.

The pricing structure allows lenders to choose how much they are willing to spend on the ad, and once that limit is reached, it automatically turns off. Del Frate has used Facebook advertising to attract mortgage executives for her business coaching services.

"It's controlled by you 100%," Del Frate said. "I probably spent $300 on it, but if I get one client from that I get a 5,000% rate of return."

All of Del Frate's lender clients have received leads from their Facebook fan pages, though most have not even started advertising yet. And she reminds clients that Facebook is not a passive medium. "You need to reach out to people and offer a free consultation or whatever. You still have got to do your sales stuff," she said.

One client uses a Facebook fan page as a VIP platform to keep in contact with past customers, giving away gas cards and books to encourage customers to keep coming back to the client appreciation site. Another has a book club focused on issues of interest to real estate agents, a key source of loan referrals.

Lauren Huston, a social media strategist and consultant, said social media platforms are often where mortgage professionals make a first impression with customers, so they want a "good, clean online presence."

A key goal in terms of search engine optimization is for originators to get their name on the first page of a consumer's Web search, because most viewers don't delve beyond the first page of search engine results.

To do that, they want to make sure that their Internet presence specifies their geographic location, so consumers looking for a loan in their area will see them. Huston said it helps for businesses to register with Google Places. Once on Google Places, lenders want to get as many "five star" reviews as possible, she said.

Lenders should solicit reviews from clients in professional emails, focusing on clients who have become friends, or from friends who have become clients.

Huston also recommends that loan officers and brokers repost their blog posts on article distribution platforms and submission services that aggregate and distribute articles across the Web.

She also urges originators to join LinkedIn groups that are relevant to their local market. By engaging in conversation in these groups, they can build a reputation as a local expert or leader.

"EVERYTHING THAT MORTGAGE BROKERS WRITE SHOULD GO ON YOUR OWN BLOG FIRST. YOUR BLOG IS YOUR HOME BASE."

Lauren Huston, Social Media Strategist

"Everything that mortgage brokers write should go on your own blog first," she said. "Your blog is your home base."

She also recommends using images on blog and social media posts. "The eyes stay on a Web page if there is an image. If there is not an image, people lose attention way faster," Huston said.

She recommends linking blogs on social media sites, noting that Facebook fan pages are indexed for Web searches, while personal pages are not.

Facebook and Twitter are the most important social media sites for lenders because they are easily searchable. For instance, lenders can search Twitter for homes for sale in their town to see if users have posted something about shopping for a new home.

And a new social media outlet, Pinterest, is rapidly gaining traction, especially among women, Huston said. Pinterest allows users to create online bulletin boards, and people can see what users are pinning to their board.

Huston said 97% of consumers with Internet access do online research about local companies before they do business with them. A strong social media identity and good online reviews help originators build credibility, which translates into profits.

"I think if you are in business you need to be on social media. You need to be searchable," she said. "The biggest trick or hurdle is to make sure that you are consistent and you get the key words right so you are found." MT

Tech Building Blocks

Before implementing a mortgage tech strategy, lenders and servicers need to execute a hardware strategy.

By Scott Kersnar

While many mortgage lenders have turned to software as a service for their core systems and database management, others continue to pursue a purely proprietary technology strategy. Whatever tech model they embrace, mortgage industry players are looking at desktop and server virtualization as a key component of their hardware strategy. Meanwhile, lenders and servicers alike wrestle with the vexing security and bandwidth issues that come with managing smartphones and tablets.

"If we were starting fresh today, I would invest nothing in data center hardware," said E.J. Kite, chief information officer at Dallas-based Wingspan Portfolio Advisors. "The availability of powerful server technology in the cloud, such as Amazon's Web Services, eliminates the costs required to build data centers."

Craig Focardi, of Boston-based advisory firm TowerGroup, said the biggest issues surrounding lender and servicer hardware purchasing decisions involved the multiplicity of devices—laptops, smartphones and tablets—and who pays for them.

"Some companies will allow loan officers to purchase their own smartphones and reimburse them," he said. "That works if security, such as Good For Enterprise, is installed," he said.

GFE is a behind-the-firewall wireless corporate email and data access system that helps businesses manage employees' mobile devices.

"The general point is that as consumer preferences in electronic devices change more quickly than lender IT departments can respond, IT departments are allowing employees to combine personal and work devices," Focardi added.

Keven Smith, president of Southfield, Mich.-based loan origination system vendor Mortgage Builder, said that out virtualization and migration to hosted, SaaS-based technology are the most important factors when mortgage lenders are developing their hardware acquisition strategies.

"70% reductions in IT costs are easily verified with SaaS," said Smith. "There aren't a lot of moving parts needed. IT departments need a lot less people."

"Most of our customers lately are SaaS customers," he continued. "When we go into a site, our goal is not to have them replace their hardware. The only thing that changes from licensed LOS software to SaaS is one server. We maintain the database as well."

He noted that Mortgage Builder's SaaS-based origination platforms are all browser-based applications.

"Desktop hardware decisions are much easier these days," agreed Eric Patrick, chief technology officer of Foothill Ranch, Calif.-based default servicing technology provider Quandis. "You can't buy a machine that's not capable of browsing."

It's easier to shop for SaaS applications, too. For example, a demo of a client-server application requires deploying it in a lender's data center.

That could take several weeks, he said, "whereas for $15 a month, Amazon EC2 will let you do the same thing in the cloud, orders of magnitude cheaper."

Dual Monitors

Though some say 30-inch monitors are actually more useful for examining documents side-by-side than two 15-inch monitors, providing dual monitors is often described as a way companies show they're willing to provide employees with high-end tools. Said E.J. Kite, chief information officer of Wingspan Portfolio Advisors, "Whether dual monitors are ever mission critical really comes down to the desktop, what tasks you're doing." For secondary marketing and various other functions, he said dual monitors have proven to be essential mortgage industry tools.

"We have used dual monitors operationally for the past ten years to implement a paperless work environment in underwriting, with document imaging on one monitor and the LOS on the other," said Charles Kirkpatrick, executive vice president and CIO of Flagstar Bank. "We tied the two together with workflow. It was the only way we could get rid of the paper."

Flagstar's decision to deploy dual monitors did not hinge on a cost analysis, Kirkpatrick said. "I needed two screens and couldn't do it all on one screen. Clearly we would not have been able to meet any of our service levels anywhere without dual monitors."

Though Flagstar originally started with 15-inch monitors, he said, they currently use dual 20- and 22-inch monitors because a 15-inch monitor is not large enough "to view multiple document images and access the LOS," while one 40- or 44-inch monitor "is not economical."

Kirkpatrick said multiple monitors are very efficient for call centers and interactions between loan officers and borrowers. "Sometimes we use triple or quadruple monitors."

"Get a good quality HD monitor," advised Wingspan's Kite. "And it doesn't make sense to have only one."

> **"We have used dual monitors operationally for the past ten years to implement a paperless work environment in underwriting, with document imaging on one monitor and the LOS on the other. We tied the two together with workflow. It was the only way we could get rid of the paper."**
>
> **Charles Kirkpatrick**
> *Chief Information Officer*
> FLAGSTAR BANK

To reduce the amount of desk space needed to set up dual monitors, Fannie Mae had dual monitors "attached to the wall on a swivel," said Kite, who spent three years as Fannie Mae's management information system director.

He said the benefit there was the ability to make the in-house workforce as mobile as possible, allowing them to move from one workspace to another as tasks require. Kite said fostering that kind of mobility was a lesson that he took with him to Wingspan.

"If the data warehouse is in the cloud, downloading a million-row spreadsheet over the corporate Internet connection may prove to be a problem, particularly if it happens multiple times throughout a day."

Eric Patrick
Chief Technology Officer
QUANDIS

Bandwidth

As employees' business and personal uses continue to intermix on both the Internet and corporate wireless networks, bandwidth capacity has become a universal problem for many organizations, including mortgage lenders and servicers. Turning over the tasks of bandwidth throttling and capping is yet another reason for companies to outsource their technology management needs to a SaaS provider.

"When considering SaaS, clients often pay close attention to the speed and performance of the application they are 'renting' from an outside vendor," said Patrick.

He said that this requirement is typically managed between the vendor and user by entering into a service level agreement "regarding the allowed response times for each screen draw. SaaS vendors are usually well-versed in ensuring such SLAs are met," Patrick said, "and design their systems to work with the bandwidth typically available from corporate offices."

Patrick added that bandwidth issues become particularly acute as more and more "power users" seek to manipulate data and access systems via tablet and other mobile devices, in addition to their desktop hardware.

"If the data warehouse is in the cloud, downloading a million-row spreadsheet over the corporate Internet connection may prove to be a problem, particularly if it happens multiple times throughout a day," he said.

As much as IT departments would like to control device use throughout the enterprise, Patrick said, "the penetration of smartphones and tablets for personal use has raised the bar for usability overall. IT departments are having a harder time saying that cannot be done, when you can download similar apps on the Internet for $1.99."

Everyone Isn't Going SaaS

Though the Internet is a critical component of every lender's infrastructure, not everyone is going SaaS. Kristina Bennett, business manager for Birmingham, Mich.-based United Wholesale Mortgage, said the lender built all its technology from the ground up, including their homegrown broker portal. "We've always done our own thing," she said. "If something needs to be changed, we can do it on the fly, with no waiting on a secondary person or outside vendor."

UWM accepts loan packages digitally only, not by mail or fax. Bennett said brokers can qualify borrowers from a smartphone, tablet, or any browser-capable tool that they can access the UWM broker website. San Diego broker Andy Brikho confirmed that loan officers can use an iPad or iPhone to reach the Easy Qualifier feature of UWM's broker portal to get immediate answers on products and pricing.

"All UWM account execs are equipped with iPads when they are out in the field or when they attend shows," said Bennett.

She added that providing the latest technology tools is definitely important in attracting top-performing personnel to key positions.

Troy, Mich.-based Flagstar Bank tells a similar story. In 2004, the perennial technology innovator began widespread implementation of laptops and now has plans to implement iPads more widely going forward. The company's strategic objective is to use mobile technology as a competitive advantage in recruiting new talent.

Since that is a strategic decision, said Flagstar Chief Information Officer Charles Kirkpatrick, "iPad deployment will always be with the current most recent deployed tablet," with cost a secondary consideration.

Some factors in hardware purchases are not obvious. Kirkpatrick said, for example, that the economic slump undermining profitability has had less impact on Flagstar's hardware purchases than has its migration off Windows XP.

Kirkpatrick said total cost of ownership, compatibility of the operating system with applications and life cycle forecasting are the key issues that drive hardware purchases. At Flagstar, he said loan officer laptops have an average 24-month life cycle, while desktop computers for underwriting and servicing are replaced every 36-to-48 months.

Both Kite and Focardi estimated that the lifespan of a computer is about three-to-five years for a loan officer, underwriter or servicing employee's standard desktop machine.

"You can probably squeeze an additional three years out of every desktop computer, but the newer ones are now twice as fast and half as expensive," said Kite. He also estimated the useful life of desk phones at five-to-seven years, and at two years for cell phones—if they don't get lost.

Wingspan is in the middle of making hardware decisions right now, said Kite, "the cost per share, what it takes me to put an employee in a seat, how well hardware actually supports the business." He advised companies to consider leasing hardware devices rather than purchasing them when the duration of a project is uncertain.

Fax Machines

Though security concerns have placed continued reliance on fax machines in an unfavorable light, Focardi continues to predict that total elimination of the mortgage industry's fax machines won't happen for many years.

While Flagstar operates in a paperless environment and moved to digital faxing in 2004, it still receives faxes through its correspondent network and converts them to electronic documents in the upload process. "We don't do the faxing; they do it on their fax machines," said Kirkpatrick.

Controlling who has access to multifunction printers and fax machines can be accomplished without using log-ins and passwords. Instead of using physical fax machines, Wingspan has fax lines "with Secure Print where everyone has a badge," said Kite. "You assign that badge to particular printers, to give the ability to fax out. If you get rid of fax machines you have to give employees another option."

And because specialty servicers like Wingspan have to set up shop on the fly and take their business operations out to their clients, they are among the leaders furthering mobility in the mortgage industry workforce.

"Having your own cubicle will be the exception rather than the rule everywhere," Kite predicted. He added that some companies are starting to provide open desks throughout the building and said Wingspan physically moves laptop-enabled employees from floor to floor and project to project as needed by the company.

Security Concerns

Some mortgage professionals believe the most pressing hardware issue for the industry is security, given the multiplicity of devices in use today.

"With the rise of security requirements on banks—depositories and non-depositories alike—the hardware costs have multiplied three times what they were 10 years ago," "said Rick Roque, senior vice president and board member of Roswell, N.M.-based PrimeSource Mortgage.

Roque and others said that the security challenges come from the fact that many lenders' sales forces, rather than their IT departments, are the ones who drive policies and practices at most mortgage companies. As a result of creating the flexible work environment that promotes sales, security measures are sacrificed.

PrimeSource adheres to more rigid requirements for providing security across all hardware devices, including mobile devices, making its standards closer to those of a depository institution than the mortgage company's nondepository counterparts, he said.

"If non-depository lenders were to do this correctly, all employees would have company-issued hardware, including cell phones, laptops and tablets, with security restrictions on what software solutions are used and how they are used," Roque said.

Arguing that it will take regulatory pressure to improve security standards, Roque believes that subjected to a technical audit, "most nondepository lenders would fail because they don't control the devices."

PC and Tablet Trends

Way back in 2000, Columbia, S.C.-based Fleet Mortgage launched its Celeris Decision Services division, which enabled a loan officer on a bus or commuter train to obtain a conditional loan approval for a fellow commuter by entering answers to 10 top-of-mind questions into a hand-held device. Though the subsequent purchase of Fleet by Washington Mutual derailed implementation, it certainly didn't kill the concept, as mortgage industry enthusiasm for smartphones and iPads now demonstrates.

By 2015, the worldwide sales of tablets will reach nearly 36% of total PC sales or 186 million units, higher than total worldwide PC sales in 2004, according to projections by market research firm eTForecasts. With Internet access devices counting in the billions, the infrastructure supporting PC growth will grow as well. By 2015, ETForecast predicted that U.S. tablet sales will top 53 million units, or over 43% of total PC sales.

Does the current wave of iPad adoption for business use mean Apple is poised to make a broader challenge Microsoft for business users? The short answer is that Apple is shutting down the iWork.com platform it launched in 2009. Excitement over the March 16 launch of Apple's new high-definition iPad will certainly stimulate tablet sales, but for business users, Microsoft's roll-out of the Windows 8 operating system for tablets may turn out to be more crucial in the long run for tablet deployment.

Tower Group's Craig Focardi called the iPad "an additional tool, not a replacement for laptops. You need a separate keypad to replicate the typing speed of a laptop. Some tools like Microsoft Word don't yet exist for iPads."

"We've always done our own thing. If something needs to be changed, we can do it on the fly, with no waiting on a secondary person or outside vendor."

Kristina Bennett
Business Manager
UNITED WHOLESALE MORTGAGE

"That's the biggest failure of SaaS and of the cloud. If you don't control the hardware," Roque said, "you can't control the software."

While today's SaaS vendors can increasingly verify they maintain advanced security measures, Roque said it only works "if you stay within the sandbox. Your entire workforce is not hosted if you're constantly moving from one environment into the next."

"In general I agree with him," TowerGroup's Focardi said about Roque's assessment. "Controlling the hardware is one of the proven ways to provide security." However, Focardi noted that the human element forces companies to make compromises. He said password protection provides effective security as the first level of defense "as long as the password is required every time the device is used."

Focardi argued that security discipline works best when it is linked to the self-interests of employees.

"It is in the loan officers' best interest to secure their devices," said Focardi. "One of their most valuable assets is the electronic Rolodex on their smartphone. If they don't have security on it, they invite competitors to export and use that Rolodex. Do they really want to run that risk?"

Classifieds

"We have outfitted all our training rooms with virtual desktops. We found that training on a virtual server delivers a 50% cost reduction."

E.J. Kite
Chief Information Officer,
WINGSPAN PORTFOLIO ADVISORS

Virtualization

Another advantage to SaaS-based applications is that the computing "horsepower" needed by users' individual computers is less because software is not locally stored on machines. This enables companies to deploy cheaper, thin client machines. Thin clients have fewer hardware bells and whistles, use less electricity and rely on servers for additional computing power.

Kite expects to see broader mortgage industry adoption of thin client computers, as desktops "become more like a shell connecting to a server. Those shells will last longer than today's typical desktop computers."

As a specialty servicer, Wingspan is "working through what has to be physically installed in servicing shops" to minimize what has to be local.

"Many vendors are creating virtual support," he said, citing Newport Beach, Calif.-based DRI Management Systems as a servicing technology vendor that enables and supports virtualization on the servicing side.

"We have outfitted all our training rooms with virtual desktops. We found that training on a virtual server delivers a 50% cost reduction," he added.

One problem with virtualization, said Kite, is that vendors who are used to charging per machine will have to find ways to figure out how many users are on the system.

As virtualization extends beyond servers and desktops, the devil increasingly is in the details. For example, what about printing out necessary paper documents from the cloud?

Bulk printing can be a challenge for companies that have migrated to SaaS. Patrick cited a Quandis reseller that developed a cloud-base trustee-management system that needs the ability to queue thousands of notices of sale and other documents and route them to the appropriate end-client printer.

"Until recently, anyone wishing to bulk print from a cloud solution to a corporate printer had to develop a custom software solution," he said. "However, Google has release their Cloud Print API, which essentially allows any computer—cloud server, iPhone, iPad, whatever—to print to any printer registered to the Google Cloud."

"While Google really designed this solution to enable individuals to print from their smartphones and tablets to their home printers without a direct connection, the infrastructure is well suited to solving the cloud-corporate bulk printing challenge," Patrick said, adding that Hewlett Packard is also selling printers "with the CloudPrint API built in, so the connection and configuration of such printers is easy."

SaaS adoption is affected by such issues, and vendors have to address them. But these hardware developments will continue to provide mortgage technology users with more options and capabilities. MT

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