

# Origination News

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► For Mortgage Brokers, Correspondents, Lenders and Wholesalers

## Avoid Front-end Compromises

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*Ms. Shaffer, loan origination and processing business unit manager for Associated Software Consultants, has written an opinion piece on how she believes lenders can most effectively implement a mortgage system. Her comments on the topic are presented as this month's Viewpoint.*

**F**ULLY-FEATURED, customizable "front-end" mortgage systems are always difficult to deploy. Lenders must create thousands of business rules, dozens of forms and reports, a variety of third-party interfaces, and an entire processing workflow system. When lenders also consider the steady stream of changes to their systems made necessary by regulatory and competitive issues, it is easy to see that even under the best of circumstances, front-end mortgage automation requires a great deal of effort on the part of both vendors and lenders.

All too often, to speed up implementation, lenders take deployment shortcuts by selecting "canned" or "partly canned" (sometimes called "hybrid") systems. This can save time and money in the short term but often these lenders are forced to settle for less capable solutions and much higher costs associated with upgrades and eventual replacement systems. One of the most frequently quoted statistics in the mortgage automation field is that at any given time, 25% of all lenders are looking for a new front-end system. Lenders that choose canned systems are typically the ones who find themselves in this category because they quickly outgrow their software.

The trade secret among technology

vendors is that the deployment of a fully-featured, customizable front-end system is made easier if a detailed implementation plan is followed. This takes time and resources, but results in a front-end system that grows with lenders' business needs and remains viable for a much longer time.

### VIEWPOINT



**“These lenders are forced to settle for less capable solutions.”**

Before utilizing the plan, however, lenders should select a fully-flexible system, one driven by "business rules" that can be changed without custom programming or database-level maintenance. In contrast, canned systems have a very limited shelf-life and cannot provide the flexibility needed by competitive lenders, forcing them to be more reliant on vendors.

Next, lenders should set a realistic timeframe for deployment and not compromise their business requirements

in the hope of reducing the implementation time. It is possible that deployment of a fully-flexible, customizable front-end mortgage system will take a year or more. This timeframe depends on a variety of factors including the number of business channels and product lines, and the resources devoted to the project. It is very important that senior management understands the complexity of the task and the time it will take to complete.

In order to assure the success of such an inherently complicated deployment process, lenders' implementation plans must be methodical. Here are some important steps lenders should keep in mind as they develop an implementation plan.

First, develop detailed, sequential implementation procedures to customize the system according to business requirements. These procedures include testing, transitioning from an existing system and going live on the new one. The vendor should be able to help establish an implementation procedure that is right for each lender.

Second, designate a dedicated business analyst to the project. The most effective business analyst is one who understands the functionality requirements of a lender's mortgage operation and can think past the limits of the

current system. This person or persons (cross-training is highly recommended) has the most important role on the project team. While the business analyst does not need to be intimately familiar with the inner workings of the new front-end system, these individuals should undertake as much system training as reasonably possible as it is likely they will be responsible for training the end-users.

Third, appoint a project manager. Ideally, this is not the same person as the business analyst, because the skill sets are diverse and the overall project is too daunting for one person to assume both roles. The project manager's responsibilities include:

- Establishing and overseeing the lender's resources for all implementation phases
- Working with the vendor's project manager to establish the implementation project plan
- Working with the vendor's project manager to determine deliverables and deadlines
- Identifying resources for each component of the plan
- Communicating expectations to the implementation project team members and

holding the team accountable for deadlines

- Monitoring performance and taking corrective action as needed
- Requesting and documenting scope changes together with the vendor's project manager
- Communicating the progress for each project phase and milestones to stakeholders


Fourth, make sure the vendor assigns a capable project manager from its staff to take responsibility for the front-end project. The vendor's project manager should have previous experience in successfully supervising other front-end system installations. The responsibilities of the vendor's project manager are to:

- Oversee the technical aspect of the project and help train client staff to implement the system
- Help determine what customization is required, how it is tested and in what sequence
- Serve as the liaison between the lender's project manager and the vendor
- Coordinate vendor resources for onsite training and project assistance

Fifth, determine whether or not to plan for a phased implementation of the new front-end system. Many lenders deploy their systems one step at a time,

either by product line (e.g. conventional, FHA/VA, consumer), by business channel (retail, wholesale, correspondent) or by work flow (origination, processing, underwriting, closing). Sometimes a combination provides a "quick win" and best suits a lender's specific business needs. It is frustrating for everyone to wait several months for results when in some cases significant tasks can be live in just weeks by using a phased approach.

Last, but by no means least, commit to extensive testing. Fully customizable front-end systems involve managing large amounts of data. The only way to ensure that a new system accurately manages this data is to test and retest as part of the implementation process. Thorough user acceptance testing assures the smoothest transition to a new front-end system.

Canned systems involve unacceptable shortcuts and such systems seldom are enduring. Fully customizable systems can be challenging, but in the long run are well worth the extra effort. By following these basic, time-tested deployment strategies, lenders can implement systems that meet their organizations' ever-changing business requirements for years to come. 



Associated Software Consultants, Inc. (ASC) develops loan automation software solutions for the primary and secondary mortgage market, including the PowerLender Loan Processing System, and the PowerSeller Secondary Marketing & Pipeline Risk Management System.