



NO MORE PLAYING AROUND

By Jeffrey Geddes

Lenders need to take an innovative approach to technology that levels the playing field so us small guys can compete with the big guys.

When we were little we all liked to play follow the leader. It was fun to follow your friends around and be part of a group. As we grow up though, we all have to carve out our own niche. We have to make our mark. We have to shape our own legacy. So, at Torrington Savings we made the decision to not just use technology to follow the market, but to innovate and lead the market of the future.

How have we done that? The bank has embraced technology to address current market conditions for the express purpose of providing its customers with leading edge technology, while leveling the playing field to successfully compete with lenders of all sizes.

As we see it, technology is a great enabler. But technology isn't a solution in and of itself. You have to use it well. Our innovative technology has allowed us to level the playing field with the largest lenders in the country, providing our customers with innovative technology combined with the personal touch that our customers have come to expect.

I know, you want specifics, I'll go into some detail. For example, by implementing innovative Software as a Service (SaaS) and online lending solutions Tor-

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ington has been able to lower initial costs of technology, lower infrastructure costs, enhance compliance, reduce downtime, and do more with less staff in a secure environment. The bank believes that this will be the technology model of the future that gives lenders of any size the ability to lead the market.

Obviously we are not a large bank with abundant IT resources. However, that doesn't mean that we can't offer the same or better service as compared to the big guys. We can and we do by using technology. For starters, the use of Data-Vision's RemoteDocs secure electronic delivery enables us to cut costs, but that's not all because when applied to initial disclosures, this technology also creates a better, more compliant process.

Let's face it, new rules and updates to current regulations in the mortgage industry are being implemented at an astonishing pace. During the last few months, regulators have crafted revisions to a number of the regulations that have been

a part of the mortgage industry for many years. As a result, lenders are forced to quickly change policies and procedures within their organization to comply with these changes.

Let's take one example. The new Regulation Z changes add very significant new timing and delivery issues for early Truth-in-Lending disclosures, which will now be required for all closed-end mortgage loans. In essence, lenders are required to provide Truth-in-Lending disclosures (early/initial disclosures) within three business days after receiving a mortgage loan application and before any fees are collected from the consumer, other than a reasonable credit check fee.

The rules also impose a waiting period of seven business days between the early disclosure and closing date. Additionally,

lenders must provide revised disclosures, including a revised annual percentage rate if the existing interest rate significantly changes between the time the early disclosure is provided and the closing date.

How do we address this issue? Data-Vision's RemoteDocs delivers immediate secure document delivery of initial disclosures, which ensures that these new requirements are met. Data-Vision has fully automated this process, one that automatically dates and time stamps each initial disclosure. This allows us to efficiently meet the timing requirements with a significantly faster process so that we can move forward with our customer's loan application.

RemoteDocs also employs state-of-the-art security and encryption technologies to ensure that our critical lending documents remain private and secure. In addition, Data-Vision undergoes annual SAS 70 Type II audits/certifications, completed by an independent accounting firm to ensure the security of our lending documents.

On screen delivery confirmation ensures that all of our RemoteDocs transactions are completely traceable for audit purposes mitigating risk within our organizations. Automatic e-mail notifications can be sent to anyone indicating their documents were successfully transmitted. RemoteDocs provides us with an online history in real time. In short, Data-Vision prides itself on delivering us the industry's most trusted source for initial disclosures and electronic document delivery that is extremely easy to use and cost effective.

How else do we do more with less to compete with the large players? Last year we were faced with replacing our aging LOS. In actuality, the vendor was sunseting it. The vendor did offer a replacement system but it required the purchase of servers for both the bank itself and for our disaster recovery facility. This was an expense we did not want to assume. In addition, our former LOS was very difficult to customize, so changes to the system were daunting.

Although we knew we had to replace our LOS, as a smaller lender our budget was limited. We felt from the outset that a hosted LOS, deployed over the Internet, would meet our twin goals of a modest upfront investment and manageable ongoing costs. Also, the hosted environment assured us that the system could grow as we do. Coming from a largely inflexible LOS, another important aspect was customizability. We also wanted to do business with a vendor that was excited to do business with us. We did review several systems, and much to our delight and benefit, we were most impressed with a system that was offered and supported by another Connecticut company, Specialized Data Systems in conjunction with Associated Software Consultants, Inc. (ASC) which develops and supports loan automation software solutions for the primary and secondary mortgage market.

RemoteLender is our uniquely universal "future-proof" loan origination and processing system that's designed to flex with the times. RemoteLender keeps our lending options open and unrestricted,

and goes beyond mere automation by enabling us to grow our loan business proactively for the long term. Below are a few of the reasons why.

First, a top concern for lenders today is cost, both upfront and ongoing. We chose RemoteLender because it is a hosted system. RemoteLender provides all of the functionality of a client/server LOS over the Internet, all for a low monthly fee, and requires nothing more on our end than a PC and an Internet connection. So now we have the best of both worlds: a fully robust “desktop” application with the ease-of-deployment of a Web application. RemoteLender is secure, fast and represents a tremendous advance in front-end mortgage technology.

Second, we know that customization is vital to the effectiveness of our LOS. RemoteLender’s business rules are easy to understand and help us customize every phase of our lending process. With RemoteLender, we can tailor our specific business rules and practices to streamline processes, create efficiencies and manage risk. Best of all, RemoteLender’s business rules can be modified as our processing requirements change. We never need to “re-customize” our LOS when ASC enhances our RemoteLender software programs. RemoteLender moves us from reactive maintenance into proactive business growth, through years of expansion and change.

Third, RemoteLender supports every processing phase for all loan products across every sales channel and allows us to automate our mortgage and consumer lending operations. Using RemoteLender as our total lending infrastructure streamlines cross-selling and bundling efforts, helps us identify additional revenue streams, and consolidates business intelligence for future marketing initiatives.

Having such readily available local support from Specialized Data Systems turned out to be a success factor perhaps even more important than any other. There are vendors that make unrealistic “go-live” promises, and we didn’t buy into that. Mortgage loans are not exactly

cookie cutter. We knew we were in for a customization effort, and the task was made more difficult as we were implementing our new LOS at a time when the RESPA regulations were changing, and subject to interpretation.

If I have any advice to other lenders contemplating a new LOS, it is to make testing a priority. In hindsight, you can never do enough testing. You need to concoct seemingly crazy application scenarios, for instance multiple borrowers not all of whom are taking title, borrowers with more than two jobs, borrowers with a large real estate portfolio and with rental income and expenses on multiple properties. Applications that are not vanilla are the applications you will receive the first week you go live, count on it.

Make no mistake, testing is a time-consuming, labor-intensive “roll up your sleeves” activity. Customizable LOSs are something of a double-edge sword. On the one hand, you can make them process loans precisely to your requirements. But on the other hand, doing so requires some effort. This is where it was important to us to have the vendor available to us on site. There are always going to be issues with a new system regardless of the amount of testing or planning. But if it doesn’t produce results, it’s not worth it. Our new LOS has had a dramatic impact on the service level we provide our borrowers. This is largely because process efficiencies often result in improved customer service.

The ability of our staff and the vendor support team to fully customize the LOS really helped streamline the process and improve our customers’ experience. We can create processing stages the way we want them, and within stages we’re able

to create and customize data entry screens right down to the individual data element. The system also makes extensive use of tables. We have literally dozens of tables that help cut processing time because so much information is quickly available on drop-downs. There are run-of-the-mill tables like appraiser and closing attorney tables that we can easily maintain by ourselves. Then there are tables that are used more creatively like our loan product and pricing tables. Those tables drive our pricing engine and eligibility process, another factor that improves customer service.

Obviously we are glad to have RemoteLender up and running successfully, but we can’t be complacent. As I said when I started this article, you have to keep moving forward and make your mark. To this end, we’ll be moving on to our next project, which will be to enhance and customize our LoanQuoter online origination system and tighten its integration with our new RemoteLender system.

Originating loans online can reduce costs by up to 80% compared with traditional application methods such as call centers or branches according to Deloitte Consulting LLP. A dynamic and professional online presence serves as an extension of our organization, one that allows us to present our brand to the outside world while working with borrowers and partners through a secure communication center for real time communication. We’re always thinking ahead and we believe in the future of online lending. ❖

ABOUT THE AUTHOR

Jeffrey Geddes is Senior Vice President at Torrington Savings Bank. In addition to his responsibilities in mortgage lending, he started the bank’s consumer/home equity loan program. Jeffrey has implemented a wide variety of technology platforms in the lending area, including credit, flood and AVM products, the FHA program, a TSB first-time homebuyer program, online applications and most recently the bank’s new LOS.

