SECONDARY MARKETING EXECUTIVE®

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Imaging And Workflow Tools Can Help Handle Loan Volume

Software-as-a-Service solutions can strengthen controls, drive out costs, and increase efficiencies.

By Rick Kushel

It's no surprise that mortgage lenders have to handle a massive amount of paper documents every day. After all, a single loan file can contain well over 200 pages. This shear volume alone inevitably causes delays in routing and processing, as well as occasional inaccuracies in loan documentation.

While managing this volume of paperwork can be difficult enough on its own, lenders also have to ensure that they comply with all regulatory guidelines. As companies try to find new and innovative ways to handle such a complex part of their business process, many are turning to imaging and workflow automation (IWA) technologies.

IWA combines document and data capture, along with workflow automation, to create an end-to-end solution that integrates with enterprise and line-of-business applications. This enables companies to convert paper into digital images, store them in a Web-enabled repository for rapid retrieval, and extract data from them to enhance loan processing.

Once implemented, IWA solutions can provide lenders with a way to strengthen controls, drive out costs and increase efficiencies, while also achieving compliance throughout the application and review process. However, not every solution follows the same approach or provides equivalent functionality. In addition, there are different costs and risks associated with each solution.

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Analyzing risks and returns

The two distinct methods that mortgage companies are typically following to deploy IWA technologies are buying, installing and maintaining an in-house system, or subscribing to a Software-as-a-Service (SaaS) solution delivered through document process outsourcing (DPO) service providers. DPO services typically include document receiving, electronic document capture, Web-based image hosting, workflow-enabled process automation and, in many cases, secure, off-site, long-term hard copy storage.

In-house systems enable organizations to staff and maintain an internal infrastructure, while SaaS solutions allow organizations to focus on core competencies by outsourcing this process. Each of these methods supports a company's compliance strategy by managing content in a way that adheres to regulations and minimizes risk.

If a mortgage lender is considering implementing IWA technology by purchasing, installing and supporting an in-house infrastructure, it is important to recognize that initial upfront costs are small compared to ongoing personnel requirements to operate the system and service end-users. In fact, the total cost over a three-year period is estimated to be six to 10 times the initial hardware and software cost.

In comparing the in-house option to a SaaS solution, both infrastructure and personnel costs of the in-house alternative must be included to reflect an equivalent experience over time. An analysis limited to up-front hardware and software expenses compared to ongoing SaaS usage fees can lead to the incorrect conclusion that an in-house alternative is lower in cost. In reality, initial hardware and software costs are insignificant compared to run-time costs. The true cost is far higher for the in-house alternative.

For an in-house solution to be successful, the expertise of delivering an always-available IWA system -including document capture, quality control, document storage, business continuity and servicing users in general - must be developed and maintained by internal staff before any meaningful adoption can occur. Without adoption, benefits are limited, while the actual expenses are significant. There is both a high risk and high cost of failure.

Making the right decision requires a complete, detailed cost comparison. When the true operational costs of an in-house solution are taken into account, the financial breakeven point is years in the future. There is also a chance that breakeven may never be achieved with an in-house system due to future infrastructure requirements and software obsolescence.

"As we evaluated the various options for document management, we quickly realized that driving a business with digital images requires proven, reliable management and controls, nonstop availability, and policy-based best practices," says Steve Glass, chief information officer at Independence Community Bank (ICB), a lender in New York and New Jersey. "All of the administrative and technical processes associated with managing an in-house solution can quickly escalate into a complex and expensive system that is costly and time consuming to fully build out, maintain and change."

In contrast to an in-house system, a SaaS solution requires a significantly lower investment. Savings from expertise and specialization and the massive economies of scale of a SaaS provider are passed onto the customer. Depending on labor rates, the need for vendor support, internal IT resource requirements, disaster recovery, business continuity, and a myriad of expenses associated with software and hardware support, the SaaS subscription will typically be between 10% and 30% of the in-house costs in a true assessment of multi-year costs.

The risk of failure is low with a SaaS provider, since specialized expertise and experience with thousands of users offers a significantly higher potential for success. Financial benefit to the customer may actually be higher because of the SaaS provider's experience and capabilities. The cost of failure is low since there are no large investments in infrastructure and personnel. Typically, SaaS solutions also offer security, high performance, broader functionality, 24/7-system access and user support, and highly scalable service offerings.

Implementing the solution

Once implemented, the solution should help lenders process loans faster, reduce the time spent by staff collating and preparing documentation, allow multiple users to work on the same loan simultaneously, and reduce the possibilities of human error and misplaced documents.

In addition, potential savings include eliminated or reduced express mailings, reduced copy and fax costs per loan, and reduced time and resources preparing for audits.

Another company that experienced the benefits of a SaaS solution is Franklin Credit Management Corp. in New York. In order to handle the high volume of loan information it receives, the company had used an in-house document imaging system that was maintained and updated by its internal IT department.

Due to rapid growth and expansion, Franklin Credit realized that it would have to extend this system, which meant adding staff, new hardware, additional software licenses and support resources. The significant costs associated with this type of infrastructure build-out outweighed any potential benefits.

After evaluating a number of new internal system options, Franklin Credit decided that a SaaS solution would enable it to more efficiently manage highly volatile monthly loan document volumes. "We now have the capabilities for painless scalability that can meet our rapidly growing business needs," says Matt Francisco, Franklin Credit's vice president of information technology.

The company now manages its operations more efficiently, with all parties being able to collaborate with electronic loan folders and documents in real-time over the Web. Processes such as loan preparation, review and auditing can be done securely.

An electronic process

A SaaS solution streamlines loan processes through capturing, collaborating, sharing and archiving loan documents online, and creating an electronic process.

It accomplishes this by first scanning, indexing and storing new loan documents in a centralized, fully redundant repository, managed by the DPO provider. Loan documents are then routed electronically to the appropriate people for review and processing based on existing business rules.

The collaborative, online loan folder enables required parties to share all documents from a loan submission package and closing package through the use of a standard browser-based interface. Users do not need to learn a new way to do business, but rather perform their current functions using a new tool that makes their job simpler and faster, all without the need to install software or hardware of any kind.

If a mortgage lender does select a SaaS solution, there is one vital factor that must be taken into account: the DPO service provider must pass their SAS 70 certification. This certification is critical with federal regulations, such as Sarbanes-Oxley and Gramm-Leach-Bliley, requiring corporations to audit the internal controls of their suppliers and consumer privacy regulations, including those that provide document process automation services.

Whether implementing an in-house system or a SaaS solution, IWA technologies can provide mortgage lenders with dramatic improvements throughout the application and review process. The problem is that the strategic focus of most lenders does not logically map to gaining a core competency in operating a comprehensive, robust imaging and workflow automation infrastructure and its associated support requirements.

Any company considering deploying an in-house IWA solution must decide if it meets its broader strategic objectives. On the other hand, the SaaS provider offers focused expertise, experience with thousands of customers, and proven performance and availability, which translates to a lower risk of failure and faster return on investment. SME