

Does Your LOS Belong On The Internet?

By Scott Cooley

Over the last several years, there has been a small but growing number of mortgage companies migrating to a fully Internet based Loan Origination System (LOS). The technologies and solutions are difficult to understand and analyze. Would it make sense for your company to adopt such a solution?

There are basically two approaches to building an Internet based LOS. The first method is to build the LOS from the ground up using typical Internet development tools. The second method starts with a traditional Windows-based LOS and then uses a product like Citrix. Most of the popular LOSs can be used in such an environment. Let's first look at the advantages and disadvantages of an Internet based LOS. Then, we'll look at the differences between the two methods for creating such.

Advantages

- Perhaps the most significant is access by anyone at anytime—provided they have the right passwords. This allows staff to work from home or management to look at loans from any location.
- This solution is more ideal for a branch office operation as all branches can use the same system. This keeps all the data in one central location, which is ideal for company-wide management reports.
- Supporting systems in one location is easier than supporting an LOS on each desktop in many different locations. It allows the computer support personnel to only worry about maintaining the LOS and other applications at one location.
- System backup is also performed at one location where data backup can be handled more professionally. The same goes for virus protection.
- Management can better ensure all offices and staff remain in compliance with their documentation and reporting. Since the LOS and the corresponding data is in one location, it's easier to ensure compliance.

Disadvantages

- Reliability is decreased because so many systems must be fully operational. When the LOS resides on the PC where the user works, only that PC must remain running for the user to be able to perform their work. With an Internet-based solution not only does that PC have to be working, but also the Internet, ISP and server connections. A failure anywhere, grinds your operation to a halt.
- Internet access is required, which can create problems for laptop bound loan officers and management.

- Your connection to the Internet must be more robust. Dial-up lines are not an option and some offices may require T1 access, thus increasing your costs.
- Overall, the system costs are more expensive, as you have the increased costs of the servers, the MIS and the Internet. For this reason, many one-office locations will find it not worthwhile.
- Finally, performance is generally reduced because of slower performance with the LOS. How much slower depends upon the size of the pipeline to the Internet, the speed of the servers and the number of active users. Even the best systems can't perform at the speed of a desktop-based LOS.

The advantages and disadvantages should help you decide if an Internet-based solution is the best for your company. Generally, only multi-location companies will consider the Internet-based solutions and smaller brokers will find it more cost effective to stay with a desktop bound solution. Even the multi-branch locations will have a difficult decision and will need to evaluate the above issues carefully. Generally, I've heard more happy stories than sad ones with the Internet-based solutions, but there are both.

If you do choose to go with an Internet-based solution, the decision then becomes one of choosing a hosting solution for your desktop orientated solutions using a product like Citrix, or looking for one of the new fully Internet based solutions. Let's look at the advantages and disadvantages of both.

The advantages of going with a Citrix oriented solution are as follows:

- You'll get to use the systems that you use today and thus, you won't incur significant staff retaining costs.
- You'll avoid the migration costs of changing LOS's including reusing the existing LOS license that you've already purchased.
- All the documents you've created, custom templates, default files, and others. can all be moved to the Internet servers which can save hundreds of hours of staff time.
- The pure Internet solutions are all new. Thus, you deal with systems that haven't been widely used nor have they gone through many years of refinement with thousands of companies.
- Entering data in a Windows based LOS is faster and more efficient than using an LOS that uses HTML screens found with pure Internet-based solutions. This is why programs like spreadsheets, word processors, and graphic design programs remain as true Windows applications.

The advantages of a pure Internet solution are as follows:

- Typically, they use HTML pages, which load faster and thus, require lower bandwidth requirements. Even a dial-up solution can work.
- Often the vendor hosts the solution, which eliminates the need for your own hosted servers. The costs of the servers also tend

to be lower.

- Pricing tends to be on a per loan basis or an ASP type of pricing. Long term, this is usually more expensive. However, it can convert a fixed cost to a variable cost.

Between these two options, I have a real preference for the Citrix type of solution but, given my background, I'm likely biased. Over the last 10 years, I've not see any new successful LOSs come into the market and I don't think anything has changed that would create an opportunity for such.

Deciding which solution might best for your operation is a difficult one. Ask others whom have made the switch and check with your LOS vendor for their comments. Finally, if you choose a hosting service, make sure they are someone that has strong expertise in our industry.

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