



A New Year . . . a New LOS?

WELCOME TO MY FIRST COLUMN for *Mortgage Banking*. While I've written feature articles for this publication for about 10 years, this is the first time I'll get to frequently share my musings with my colleagues in a more informal way. In the months and years to come, I'll share my opinions on mortgage technology in my typically straightforward fashion. Since 1982, I've seen a lot of technology that hasn't worked and I've seen some that has. If you've got some stories of your own, please let me know. I love all feedback and I invite your e-mails.

As usual, the Mortgage Bankers Association of America's (MBA's) Annual Convention & Expo in October brings out numerous announcements from existing and new technology vendors. As always, I scoured the trade floor for new products and technology advances that could be of benefit to our industry. I also try to determine what in the future will be hot and what will be a flop. Being January, it's a great time to look ahead.

Several loan origination system (LOS) vendors have been releasing Web-based versions of their products. Often, they promote their ease of access, system maintenance simplicity and the fact that no desktop software must be installed. Still, other LOS vendors are refraining from migrating their core LOS products to the Web. It's clear we are seeing a real dichotomy in the direction LOS vendors are taking (Web vs. desktop).

In a conversation, the chief executive officer of one of the primary LOS vendors echoed some of my concerns. A Web-based LOS can be good for the loan officer and other occasional users; it also has advantages for the management information systems (MIS) staff and management. However, loan processors and other back-office personnel will find their experience with a

Web-based LOS to be quite frustrating, in my view. Many agree the speed of these systems will underperform those of the desktop-based LOS. While many mortgage company executives believe a Web-based solution might be better, their staff may think otherwise.

It's very similar to comparing Microsoft® Outlook® (a desktop-based e-mail application) with using Microsoft's Hotmail (a Web-based e-

**Be careful of the
upcoming Real Estate
Settlement Procedures Act
(RESPA) reforms,
as they'll have a major
impact on your LOS.**

— SCOTT COOLEY

mail application). Both allow you to create and send e-mail, but Outlook is much more efficient. Occasional and home users migrate to Web-based e-mail, but heavy-duty users prefer a robust desktop application. This CEO said his company had no plans to build a Web-based version unless the industry saw widespread adoption. The jury is still out, though, as these new LOS are just coming to market. I expect we'll hear some horror stories about companies that were burned by adopting a new Web-based LOS. Still, we might hear some success stories as well. We'll wait and see.

Odd to me are the recent introductions of several brand-new LOS. I'm not

sure why companies would try to enter a market that is very mature and consolidating. There isn't any question in my mind that a new LOS will have a difficult time making inroads in the marketplace. More likely, it will be another technology casualty. The problem is, it's more than just the vendor that's hurt. Those mortgage companies that convert to an all-new LOS will often deal with lots of bugs and limitations, and eventually be forced to convert to another LOS as the vendor retreats from the market. The top LOS vendors in the market today have all been around for more than 10 years.

Be careful of the upcoming Real Estate Settlement Procedures Act (RESPA) reforms, as they'll have a major impact on your LOS. Some vendors may have difficulty making all the needed changes in time. Not only do the core formulas change, but many documents change as well under the proposed changes. You can expect some bugs. The other problem for the LOS vendors is to determine what the common application of these regulations will be. After all, we all know different people interpret laws differently.

Many years ago, the current four-page Uniform Residential Loan Application (URLA) replaced a previous two-page version. At the time, several LOS vendors eventually went out of business as they could never quite perfect their applications. While these LOS vendors converted their application to the new URLA, the bugs were so significant as to anger their clients. Eventually, it led to the LOS vendors' demise and to a lot of frustrated customers.

Wireless applications are beginning to come to market. One demonstration I observed during one of the many posh evening parties at the MBA's annual convention showed a wireless device accessing consumer information. After entering basic consumer information,

you could obtain a consumer's FICO score, the property's flood plan characteristics and an automated property valuation. The whole process took just a few minutes. For the loan officer on the go, this could be a nifty application. Still, you would never want to complete a full loan application on a wireless device (like a Palm Pilot). These devices are horrible if you have to enter a lot of information, such as what's required for the URLA. I tend to think that loan officers should stay with a full laptop because of all the other things that are needed during the typical loan application process. It's always been worth carrying around a full laptop because of the added functionality and increased efficiency—although there could be

On the positive side, the upfront disclosure package is ripe for a digital signing process.

some good uses for a hand-held device, such as doing a "quick-qual" at an open house.

Finally, I'd like to make a quick comment on e-signatures and how close we are to a fully paperless process. On the positive side, the upfront disclosure package is ripe for a digital signing process. The work that Quicken Mortgage has done in this area is excellent. However, I think we are still many years away from seeing adoption of a paperless closing process. It's not that the technology isn't there; it's more about human adoption and all the required changes that will be needed for the industry and with the consumer.

Scott Cooley is an independent mortgage technology consultant, analyst and author based in Los Gatos, California. He can be reached at scottm-cooley@hotmail.com.
