

Using paperless technology to deliver business results



*Customer-benefit focus
in a Technology-feature world*

Eric Kujala
National Sales and Consulting
DocVelocity
September, 2011

Foreword

For those of us deep inside the mortgage technology development arena, ours is a feature-focused world. We pursue technology solutions that begin with mortgage business and/or processing challenges, and when we hit that “Eureka!” moment of creating a working technical solution, it feels like arrival at the mountaintop. Build it, and they will come. Customers will be beating down our doors once they realize what we have achieved.

But most often, they *don't* clearly and immediately realize the significance of what we have achieved – and they can't be expected to.

The working technology solution itself is only the first part of improving our industry and our customers' businesses.

It's not the new features and capabilities (no matter how proud, gratified, and [often] relieved we are) that allow a mortgage technology to make a difference. Nor is it drawing the link from those features and capabilities to process improvement. Rather it's a third step: Having customers engage in and understand the link between the technology solution and the day-to-day improvement of their bottom line. Their volume. Their profitability. The *real* benefits of technology.

Only then does the technology solution have resonance – and meaning – in the marketplace.

Asking the essential questions.

In an industry where survival of the fittest has become a more intense reality than ever before, mortgage originators – whether they be brokers, emerging correspondents, established mortgage bankers, branch networks, or even community banks – are well aware that business as usual is a thing of the past.

We as mortgage technology developers can best serve these customers by urging them to find concrete answers to these questions:

What are you doing to differentiate yourself from your competitors?

Why should customers do business with you?

More specifically, how are you leveraging technology to drive more business to your organization, over and above just improving your processes. In other words, how is technology increasing your revenue?

Other questions: Are you getting the most from your staff, and are you optimizing technology to reduce your costs?

Beyond technology: Business results for the customer.

It's simple: More revenue coupled with reduced costs translates to higher profitability; yet that's sometimes difficult to focus on when we talk about technological innovations. Still, that roll-up-the-sleeves spadework must be done to maximize and accelerate the adoption of our technologies.

Let's take a look at collaborative paperless technology, specifically a “best in breed” system that encompasses electronic document recognition and management, online access and multiparty information-sharing, document delivery to investors, loan file archiving, and other technical

features – creating a completely paperless process between the LOS at the front end and eClosing at the back.

Features aside, how will such a system truly benefit the customer? That's where we need to laser-focus our message.

Benefit Set 1: Increased Revenue

Technology should help customers get more business.

The right collaborative paperless technology will:

Enable the sales team to work remotely, creating the opportunity to hire additional loan officers who work offsite and resulting in a higher volume of business and improved sales. **Benefit: Increased revenue.**

Create the opportunity for the remote LOs to make fewer trips to the office, giving them more time to sell, driving more business, and thus improving sales. **Benefit: Increased revenue.**

Reduce back-and-forth time between the sales and processing areas, creating more sales time for LOs, thus driving more sales volume per LO. **Benefit: Increased revenue.**

Make processing faster and more effective, creating better pull-through of loans and improving conversion rate. **Benefit: Increased revenue.**

Accelerate and smooth the lending process, thus improving customer satisfaction, resulting in better pull-through and increased repeat and referral business. **Benefit: Increased revenue.**

Support a green-friendly, tech-savvy image, providing an additional marketing message and generating more new leads. **Benefit: Increased revenue.**

You can imagine how any of us on the tech side would love to talk about the features and capabilities, as well as the innovations behind those features, that create these opportunities. However, it takes discipline to drive the bottom-line – more revenue – to the customer.

Benefit Set 2: Reduced costs

Are customers getting the most from their staff?

The right collaborative paperless technology will:

Make processing faster and more efficient, creating the opportunity to right-size processing staff and lower overhead. **Benefit: Reduced costs.**

Eliminate a large proportion of the need for paper stock, printer and fax toner, overnight shipping, photocopier leases and maintenance, and other paper-related expenses. **Benefit: Reduced costs.**

Reduce the amount of office space and associated costs by allowing more personnel to work remotely. **Benefit: Reduced costs.**

Accelerate funding, thus reducing negative carry charges. **Benefit: Reduced costs.**

Provide quick and easy scalability, allowing growth and expansion with minimal or no increased physical overhead. **Benefit: Reduced costs** (for increased capacity).

In fact, the cost-reduction side of the equation is easier to quantify than increased revenue opportunities. Consider these numbers for a shop processing 500 loans a month:

OVERALL PAPERLESS VALUATION BASED ON HISTORICAL DATA

SUMMARY OF VARIABLES

	Before	After
Loans in Processing	500	500
# of Setup People Needed*	8	1
# of Processors / Closers Needed	13	8
Loans Indexed Per FTE Per Month	139	927
Loans Processed Per FTE Per Month	40	60
Occupancy	\$100	\$100
Setup Individuals' Salary + Benefits (18%)	\$2,458	\$2,458
Processor / Closer Salary + Benefits (18%)	\$4,425	\$4,425
Filebound Maint Fee / "Best in Breed" paperless system cost	\$0	\$11,500
% of Loan Packages Shipped Overnight	70%	15%
Loan Packages Shipped	350	75
% of Loans Printed	70%	15%
Loan Packages Printed	350	75
Overnight Delivery Cost Per package	\$12	\$12
Cost of Paper- Per ream	\$5	\$5

*Includes FTE of processors currently setting up / organizing files in addition to processing

SUMMARY OF RESULTS

	Before paperless system	After paperless system
Direct Expense:		
Compensation and benefits	\$ 74,976.50	\$ 38,200.99
Occupancy and equipment	\$ 2,050.00	\$ 887.28
sub total	\$ 77,026.50	\$ 39,088.27
Indirect Expenses:		
Paper Stock	\$ 1,750.00	\$ 375.00
Overnight Delivery	\$ 4,200.00	\$ 900.00
Filebound Maint / Paperless system	\$ 0	\$ 11,500.00
sub total	\$ 5,950.00	\$ 12,775.00
Total Expenses	\$ 82,976.50	\$ 51,863.27
Cost Savings Per Month	\$31,113	
Cost Savings Per Year	\$373,359	

It's clear that rather than the message that "Our technology is the most cutting-edge, complete, and flexible," a more compelling message to get the product deployed is: "Our technology can add \$373,359 a year to your bottom line, just from cost reduction... and that's before you add in the increased revenue opportunities."

Customer "due diligence" on technology options

The question that mortgage originators are asking these days is, "Do we try and find an all-in-one system to automate our entire process, or do we identify the best options available in the marketplace to achieve our specific goals? Does the all-in-one do enough, or do we need more from that technology solution?"

The short answer to our originator customers is: Do your due diligence, compare, "tear back the covers," and take a look at all the options. Sometimes you will find that the solution needs to be more robust than initially thought – or maybe not. By doing your due diligence, the decision or direction you select will feel more comfortable once the customer's organization and management have gone through the process and really understand the solutions available.

Mortgage technology benefits all – if it gets deployed.

Additional business volume, reduced costs, and thus increased bottom-line profit are the results we on the tech side must communicate to originators in order to continue and accelerate the digital automation of our industry at every level. Only then can we improve our industry through greater accuracy, enhanced compliance, healthier originators, and a faster and better experience for American mortgage consumers.

