

Get More Business ONLINE

As lenders fight for every deal, Randy Schmidt of Data-Vision details how lenders can get more business by tapping the Internet.

The Mortgage Bankers Association expects to see mortgage originations fall from an estimated \$1.2 trillion in 2011 to \$900 billion in 2012. The drop will be driven by a significant decline in refinance originations, while purchase originations will increase only slightly. The economy will see another year of anemic growth in 2012, and then will grow somewhat faster in 2013. Refinance originations are expected to fall despite low mortgage rates as economic uncertainty lingers and fewer eligible borrowers remain. The trade association's chief economist Jay Brinkmann, went on to say,

Executive Interview

“Regardless of which path the economy and mortgage rates take, we are predicting another tough year, with origination volumes at their lowest point since 1997. Continued slow economic growth will mean that unemployment will remain elevated through 2012, which could slow the improvement in delinquency and foreclosure volumes, meaning that in addition to lower production volumes for the industry, mortgage servicers will also continue to be under pressure.” So, what’s a lender to do? Randy Schmidt of Data-Vision says it’s time for lenders to think outside of the box and go online. Here’s his advice:



Executive Interview

Q: What online lending trends are happening now?

RANDY SCHMIDT: Online lending is growing dramatically as lenders are looking to add more features to their online channel. When online lending first started, lenders used it merely as a data collection tool. Today, lenders are making their online sites more interactive. They are engaging their borrowers and giving them all of the information that they need to make an informed buying decision. They are also using their online channel to securely communicate with their customers to keep them informed during the process. As an online vendor, we are seeing more and more customers looking to implement features such as live chat, secure messaging and electronic delivery of initial disclosure documents directly to the consumer.

Q: What is the importance of online lending as a separate channel?

RANDY SCHMIDT: As origination volumes drop and lenders battle for prospective borrowers, they need to be where their potential borrowers are. A recent study showed that there are 51.5 million potential homebuyers born between 1979 and 1991. This group of people commonly referred to as “millennials” comprise nearly a quarter of the total US population. This represents a critical target market and virtually every member of this group can be found online. By not having an online channel, lenders are missing out on a tremendous opportunity.

But online lending shouldn't be

thought of as solely as a separate channel, but also as an extension of your existing channels. By allowing loan officers, correspondents, third party originators and help desk personnel access to your online lending tools borrowers can receive the same up to the minute information and service levels regardless of the channel they choose. This multi-channel approach allows for a consistent borrower experience that creates customer satisfaction and builds loyalty.

Q: What are today's borrowers looking for from an online application/solution?

RANDY SCHMIDT: Members of today's “do it yourself” generation, prefer to have a robust consumer portal available to them 24 hours a day, 7 days a week, 365 days a year. This portal should contain all of the tools necessary to allow the borrower to gather all of the information they need to make a decision and then allow them to execute on that decision. Once that decision has been made, a consumer portal should allow the borrower to stay informed throughout the entire process.

A robust consumer portal should contain the following tools:

- <<< Up to date product and rate information
- <<< A variety of mortgage calculators
- <<< A pre-qualification process
- <<< On demand live chat
- <<< An easy to use and secure application process
- <<< Instant approval capabilities
- <<< A secure message center between the Loan Officer and

the Borrower

- <<< Electronic delivery of initial disclosures and other documents
- <<< Up to date loan status information

Q: In today's heavily regulated environment, what's the case for electronic disclosures?

RANDY SCHMIDT: The use of electronic delivery for disclosures not only helps cut delivery costs, but can also create a more compliant process. Disclosures have unique timing requirements to them. For instance, lenders are required to provide truth-in-lending disclosures within 3 business days after receiving a mortgage loan application and before any fees are collected other than a reasonable credit check fee.

Also if the interest rate changes significantly, the lender must provide revised disclosures 3 business days prior to closing. Electronic delivery of disclosures not only allows you to cut critical time out of the process, but allows you to meet these requirements as well.

Another benefit of electronic disclosures is that each step in the delivery is date and time stamped providing a complete audit trail of the entire disclosure process.

Q: In today's heavily regulated environment, what's the case for electronic delivery of closing docs?

RANDY SCHMIDT: It is all about security, confidentiality and cost reduction. Lenders can no longer afford to manually print documents, assemble them and use an overnight courier to deliver them. Emailing documents isn't a viable option due to security concerns. Using an electronic document delivery provider allows you send documents economically while still maintaining security.

Also if a closing agent discovers an error in the documents while at the closing table, electronic delivery can get new copies to them instantly without having to reschedule the closing.

INSIDER PROFILE

Randy Schmidt is President of Data-Vision, Inc. and is responsible for overall operation and strategic planning for the company. Randy became involved in the IT side of mortgage banking almost 30 years ago and has been involved in numerous projects on both the origination and servicing side of the business. In 1993, Randy co-founded Data-Vision, Inc., in Mishawaka, Indiana as a Web design company. He then combined his previous mortgage experience with Internet knowledge to bring the speed, power and availability of the internet to the mortgage industry.



Executive Interview

Q: Can online lending level the playing field with originations expected to decline further? If so, explain how.

RANDY SCHMIDT: As originations decline, all lenders will be competing for a smaller group of borrowers. The best way to compete, regardless of the channel, can be summed up in two words: Customer Service. Knowing your target customer, and giving them the information they need while delivering an experience that they feel comfortable with, is the primary way to acquire and retain customers.

That being said, it seems logical that the best way to deliver that ultimate borrower experience is online. We all know that online experiences are becoming a normal part of our daily lives. Whether we are reading our email, checking our stock portfolio, perusing the latest headlines, buying items online, checking our bank balance, keeping up with our favorite sports team or just visiting one of the many social network sites most of us are connected to the internet in one form or another multiple times every day. With the ubiquity of the internet consumers are now connecting at home, in the office, on the road and through their mobile devices. Meet them on their terms and you can maintain your competitive edge.

Q: With the proliferation of mobile technology, how will that impact online lending going forward?

RANDY SCHMIDT: As mobile technology grows, so will online lending. Tools and features will be enhanced with the mobile platform in mind. Although consumers probably won't fill out a complete mortgage application on their cell phone, they will still be looking for you to provide services to them via mobile technology. Customized rate quotes, pre-qualifications, secure messaging and up to date loan status are just some of the features that lend themselves nicely to a mobile platform.

Q: What impact will what comes out of the Consumer Finance Protection bureau have on

INDUSTRY PREDICTIONS

Randy Schmidt thinks:

1 I think you will see a major shift toward a greater use of the internet for mortgage lending. As LOS systems release new versions, many of them will move from their current client/server architecture to an internet based Software as a Service platform. This environment will make it easier for both the lender and the service provider to maintain and update their products.

2 I see lenders putting more emphasis on customer communications. Consumer portals allowing borrowers to easily interact and communicate with their lenders will become more popular. Electronic document exchange and two way secure messaging will be added to most lenders websites.

3 I see mobile technology changing the way that both consumers and lenders approach the home buying process. There will be new products and services developed to make mortgage information instantly available to consumers wherever they are.

online lending?

RANDY SCHMIDT: Most of the initial changes will affect the entire mortgage industry and not just online lending. However, as change comes more rapidly, more lenders will look to online vendors to ensure compliance with the new rules. Most online vendors employ a Software as a Service (SaaS) model, where the vendor manages the implementation and delivery of new releases. This allows lenders to focus on their core business without worrying whether their software is in compliance.

Q: What other rules and regulations will impact online lending in 2012?

RANDY SCHMIDT: The first change will be the new Multi-Factor authentication rules that will take effect in January 2012. In

2005 the FFIEC issued guidance entitled Authentication in an Internet Banking Environment. This document stated that institutions should use effective methods to authenticate customers and protect sensitive customer information. The solution that many vendors implemented was to initially authenticate a borrower and then set a cookie on their machine to be used to help identify and authenticate them on future visits.

If a borrower tried to connect from a machine without the cookie, the system would re-authenticate them using a series of backup challenge questions. In June of 2011, the FFIEC issued a supplement to their guidance stating that institutions should no longer consider simple device identification or basic challenge questions to be an effective risk mitigation technique.

So during the last 6 months, vendors have been busy coming up with ever more sophisticated ways of authenticating and re-authenticating borrowers. Techniques such as more sophisticated one-time cookies containing a digital fingerprint coupled with less obvious "out of wallet" questions have been employed. Out of band authentication is also being used by some vendors to re-authenticate borrowers.

It is important to check with your vendor as to their authentication techniques as financial institutions will be expected to comply with the new guidance by January 1, 2012.

Q: What can we expect from Data-Vision as a company going forward?

RANDY SCHMIDT: Data-Vision will continue to provide our clients with compliant leading edge products, built on scalable platforms and backed by unequalled service. Both our LoanQuoter point of sale system and our RemoteDocs document delivery system are scheduled for new releases during the first 6 months of 2012. We're looking forward to helping lenders take full advantage of online lending in 2012 and beyond. ❖