LendingPad
Lend Better, Together™

10 QUESTIONS TO ASK YOUR LOAN ORIGINATION SYSTEM (LOS) VENDOR

Your choice of mortgage loan origination system vendor will shape your customers' experiences and affect your own business' chances of success.

www.lendingpad.com

YOUR CHOICE OF MORTGAGE LOAN ORIGINATION SYSTEM VENDOR WILL SHAPE YOUR CUSTOMERS' EXPERIENCES AND AFFECT YOUR OWN BUSINESS' CHANCES OF SUCCESS. USING A GOOD LOAN ORIGINATION SYSTEM CAN HELP YOU BETTER IDENTIFY QUALIFIED BORROWERS AND EFFICIENTLY COMPLETE THE APPROVAL PROCESS.

WHEN YOU CAN AUTOMATE SIGNIFICANT PORTIONS OF THE LOAN ORIGINATION PROCESS, YOU CAN REDUCE THE COSTS OF LOAN ORIGINATION AND INCREASE YOUR POTENTIAL PROFIT. HOWEVER, BEFORE MAKING THAT ALL IMPORTANT CHOICE IN REGARD TO WHICH VENDOR TO USE, THERE ARE SOME QUESTIONS YOU SHOULD BE ASKING THE MORTGAGE LOS PROVIDERS ON YOUR SHORT LIST.

01

IS YOUR LOAN ORIGINATION SYSTEM (LOS) CLOUD-BASED?

When choosing a vendor, ask about how their LOS is hosted – ideally, it will be in a cloud architecture that allows a high level of security, provides easy access from anywhere at any time, and a high level of performance for efficient mortgage loan origination and approvals. Cloud-based systems provide a lower up-front cost to deploy and manage, greater accessibility to third-party databases, easier collaboration between lenders and borrowers, and improved performance throughout the loan process.

Cloud-based SaaS applications can also transform the way document uploads, data entry, and other parts of the prequalifying and loan origination process are completed. This leads to simplified processes both for borrowers, who can navigate large portions of this process aided by the interface, and for employees, who will find that their efficiency is also improved as they continue the qualification and verification procedures in the back end to secure loan approval.

Another benefit to having a cloud-based solution is the actual storage of the data, which minimizes the need for massive on-site storage responsibilities or a third party storage solution. Data stored in the cloud is safe, accessible, and can be expanded effortlessly, making it easy to scale. In addition, concerns about risk management can be minimized, since the cloud-based provider will now also be responsible for safeguarding applicant data.
Using a cloud-based mortgage loan origination system (LOS) is an ideal setup. Make sure your vendor is taking advantage of the cloud to offer you and your customers the best service possible.

02

DOES YOUR SOLUTION PROVIDE END-TO-END FUNCTIONALITY?

When it comes to choosing a mortgage LOS, ask if the solution you are being provided with is truly “end-to-end”. An end-to-end solution describes a system that will provide all the software components and resources needed to substantially meet your needs, without the need to fill in gaps or to manage services from fewer third-party providers. For mortgage lenders, typical needs include a borrower engagement point-of-sale (POS) component, an origination/fulfillment component (processing through closing), a pricing/eligibility engine and a document management component.

When one service provider is responsible for managing all support, installation, implementation and ongoing maintenance the SaaS solution, you don’t have to worry about integration, compatibility, different billing dates, conflicting updates, and other additional processes that can slow down the mortgage loan origination process and leave your applicants hanging.

Choosing a vendor who offers an end-to-end solution typically means you will receive a fully integrated system from that single supplier, meaning that manual input on both the back-end is significantly reduced, and the need to jump back and forth between systems and providers is eliminated. The information employees need to successfully close loans can be quickly imported through connections to third-party data systems, making borrower verification and qualification fast and easy.

A true, fully supported and properly configured end-to-end solution helps to drive accuracy, efficiency and more streamlined processes enabled by greater automation, increasing data security and simplifying workflows.

03

IS YOUR SOLUTION CAPABLE OF SAFEGUARDING MY CUSTOMERS' DATA?

The information provided by consumers when completing a mortgage loan application can include their name, address, social security number, bank account numbers, and other information that it is crucial to protect. If your SaaS supplier cannot provide a clear data protection and risk mitigation plan when you request it, it's time to look elsewhere.

Since the mortgage loan origination process involves customer-side data that is both financial and personally identifying in nature, you need to be confident that their data is secure. If a breach occurs, you are ultimately responsible, even if the information is accessed from a third-party platform.

When you authorize data to be stored and accessed through a SaaS, cloud-based solution, your vendor needs to be able to show you they take this side of the business extremely seriously. Data privacy and protection mandates should be followed scrupulously, and your SaaS provider's security should be equal to or greater than that of your own organization.

Scrutinize all levels of data security, confidentiality, and privacy, find out how, where, and when data is backed up, review the vendor's company history, check for past complaints, and specifically ask about any and all data backup capabilities both during subscription duration and in the event of subscription termination. Your security is only as good as their security, so this is a priority.

04

DOES YOUR SOLUTION PROMOTE AND SUPPORT SCALABILITY?

The ability of SaaS platforms to scale on-demand can play a critical role in your ability to scale your own business. You'll need to be able to count on your LOS to manage ever-increasing numbers of applications and maintain the high level of usability and speed that your first customers are given.

When your organization depends on a vendor to provide key borrower-facing components, they can make or break your reputation. If you launch your mortgage lending operation strong at the start, but the SaaS solution you choose isn't built to support scaling, rapid expansion can lead to bad experiences, customer churn, lack of positive referrals, and even the creation of a bad reputation.

Key pain points during the growth process are typically related to processing speed, wait times, and customer service. For back-end staff, end of month volume means increased strain on both their manual processes and any LOS they use.

If the system slows down when volume goes up, end of month closings can be delayed or stalled, hurting profitability and making it impossible to meet production goals for loan closings. Borrowers will become frustrated, and the reputation of your company could suffer.

05

DOES YOUR LOS SYSTEM PROVIDE AN INTUITIVE, MODERN USER INTERFACE?

If the user interface, or UI, is not intuitive, your mortgage loan applicants will have negative customer experiences (CX). Query your vendor about their SaaS system's UI, and request a demonstration to try it out for yourself from the customer's POV.

A UI is intuitive when:

- It provides plenty of clues at each step to direct users to the next action. Your mortgage loan applicants should be able to move smoothly from screen to screen without any confusion over what the next step is or what they need to do to complete it.

- The results are predictable and responsive. Users shouldn't encounter unexpected demands or errors when they use the system. Everything should flow smoothly, and it should be crystal clear when a step is completed, a document has uploaded, or a signature has been accepted.

- It delivers efficiency with a minimum amount of effort from the user. There should be no need to backtrack or repeat previously completed steps due to confusion over what was required or processes that fail to complete. If an error is made or the process interrupted at any point, it should be easy to rectify without starting the entire process over or losing progress.

06

WHAT TYPE OF CONSUMER COMPLIANCE DOES THE SYSTEM PROMISE?

Mortgage lenders must be extremely careful when choosing a SaaS solution because regulations for financial institutions are tighter than many other industries when it comes to consumer compliance. A LOS is built around maintaining long-term relationships with borrowers, but you need them to be crystal clear in regard to your requirements as the business customer.

A LOS should help you with compliance rules, and have the ability to stop a process should a compliance rule is violated. It should also provide user warnings throughout the loan origination process. Major consumer regulations that apply to mortgage domain include, but are not limited to RESPA, HMDA, ECOA, FCRA, Dodd-Frank Act (DFA) and various state-required disclosure, lending and high-cost laws.

Your LOS solution should be capable of assessing compliance, identifying processes or data entries which could increase the risk of violations of consumer financial law in connection with mortgage origination, and ensuring compliance for each type of loan in accordance with rules and regulations.

With the government periodically rolling out new rules and updates to existing regulations, it is vitally important to your lending organization to validate that the LOS platform you choose is flexible enough to keep up with such regulations.

07

IS YOUR SOLUTION CUSTOMIZABLE AND CONFIGURABLE?

Customization is rare in a well put together LOS solution, as the market demands a solid degree of functionality to even be considered by most lending organizations. If a solution would require heavy customization to work for your business model, it's probably not a good fit.

That said, you may require some degree of configurability, which can be done by the vendor o the surface of their LOS solution. A high quality LOS won't have extensive gaps in the platform, but can offer certain configuration options to tailor your employee and borrower experiences to your needs.

Ask the vendor how their configuration process works. Ideally, they can configure everything on their end and present you with a complete, out-of-the-box solution that will be intuitive and easy to use for anyone on your team – while providing borrowers with a seamless user experience.

08

HOW DOES YOUR SOLUTION UTILIZE APIS FOR EXTRA DATA ACCESS AND INTEGRATION?

APIs for LOS will allow interchange of data with other systems in your technology stack. This valuable loan origination data, including borrower and transactional information, can play a large part in your company's internal processes. Typical third parties your LOS should provide easy access to will include credit, flood, loan processor (LP), desktop underwriter (DU), and property appraisal databases.

By using APIs, the loan origination system (LOS) serves as the system of record for mortgage lenders, creates a comprehensive technological ecosystem, and leads to reduced labor on the part of employees and mortgage applicant. When third-party data is retrieved and matched automatically between systems, errors are minimized, and efficiency increased. Data quality is also improved, as the latest figures are quickly obtained and compared to show a consumer's history over time.

With a solid set of APIs in place, your loan origination staff should be able to interact with all third party databases required to qualify loan applicants, verify their information, and make informed decisions when it comes to loan closings. All imported data can be collected in a single system, allowing a comprehensive profile to be built for each borrower. The borrower also benefits from a streamlined process and more rapid processing of their loan request.

09

WHAT ARE YOUR SYSTEM'S PRICING STRUCTURE AND CONTRACT LENGTH?

Ask about pricing structures and contract lengths early in the process, but don't allow cost to be your primary factor in the final decision. The top factor should always be value – what you are getting for your money. The cost aspects you should cover aren't limited to baseline subscription costs – ask about the total cost of ownership, the ownership model maintenance, licensing and development/implementation costs.

Your vendor should provide multiple options for your LOS solution, allowing you to use their system in different ways and at different levels as you scale. You may start out as a small agency with a few LO's, and later expand into the lending area. Find out what implementation timelines are expected to be as well – you can't afford long periods of downtime when scaling, as this will severely impact your loan close rates.

For a broker, a per-user option lets you scale easily as you can simply add users at any time and pay a flat monthly cost for each one. Contracts should be short – a year or two is typical for this type of smoothly scalable operation. You'll probably need to commit to a minimum number of users during that time period, but can move up and back down to the minimum as needed if your business fluctuates.

For fast-growing banking organizations that work better when the goals are success driven, a flat fee based on loans closed may be more appropriate. The LOS can be used for all mortgage loan origination and applications processes, but fees are charged on the basis of loans closed – a good option for companies that are trying a new approach to loan origination.

If you already have existing processes, ask about discounts if there are large facets of the solution you will not be using, such as document services or eSign capability. The pay per closed loan option may be more cost effective for your lending operation, but will also typically require a longer contract term of two years or more.

For institutions, LOS costs are more customized and typically quoted on request, with a commitment of three or more years. The advantages of an institutional LOS are that it can be perfectly tailored to your needs, and generally allows unlimited users and access to the system.

Ask your vendor if this option includes support and a dedicated account executive who will be your main point of contact.

10

IS YOUR SOLUTION FUTURE PROOF?

Even with all the proven benefits of a cloud-based LOS solution, a vendor who is not committed to staying up-to-date with the latest technology will not be able to continue servicing you appropriately over time. If the vendor cannot keep up with the most recent loan origination trends, it can hurt your production and limit your loan closings. Having to change vendors midstream can cost you dearly in lost revenue, so make sure your vendor is prepared for the long-haul.

You plan on your operation being around for a long time, which means you need to partner with a vendor who has the same goals. By asking questions about what steps your vendor is taking to stay technologically relevant, you can narrow down your options to the ones who are committed to staying viable in a rapidly changing tech landscape.

Also, query their own internal scaling processes; if their own organization experiences exponential growth, are they equipped to provide excellence in service and seamless experience for all users over time? What is their plan to stay consistent if their subscription base triples overnight? Are they prepared to invest in R&D to stay abreast of changing industry trends and new technologies?

The way your short-listed vendors answer these questions can help you determine who to trust when choosing a mortgage loan origination system. By comparing answers and finding the most perfect fit, you can grow your lending business confidently, secure in the knowledge that your new system-of-record LOS solution is up to the task and as committed to your organization's success as you are.

LendingPad
Lend Better, Together™