

VISIONARIES SHARE INSIGHTS

Seeking Enlightenment at the Summit



By **JAMES
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When you climb a mountain-top, you can become frozen and grow inert, you can suffer from hypoxia and die or you can become self-aware and find enlightenment. Whichever occurs, you won't remain the same at the summit. The same can be said of those among the 1,300 or so attendees of the recent Ellie Mae Summit, held in

San Francisco this last March. The messengers were varied, but the message was clear: mortgage originators are changing in order to assure their survival.

The timing was especially sanguine, given what has been going on in the lending sector, itself a sanguine, bloody mess. No fewer than three major subprime lenders effectively went out of business during the conference, and several others found themselves perched precariously on the proverbial bubble, their fates to be decided by warehouse lenders and Wall Street. Although the origination sector remains in good shape, with demand holding well, as a class they are increasingly aware that the days of having loans available for anyone with a pulse are rapidly coming to a close. It is time for new thinking, new strategies and new visions.

Ellie Mae is a company not lacking in visionaries. Sig Anderman, Ellie Mae's founder and chief visionary, foresees a future when their Encompass platform and ePASS network become an even more dominant force than in their already considerable current state. ePASS achieved a significant milestone recently, handling 8,000 transactions in a single hour. Its activity in 2006 replaced paper

equivalent to 30,000 trees and, according to a University of Michigan study, eliminated the need for 380,000 barrels of oil. Somewhere, Al Gore is smiling while OPEC fumes.

Anderman's vision includes a front-end scenario that has been talked about for ages: the real estate loan that looks more like an auto loan in the time required to close. "You can buy a \$200,000 car in an hour, but it takes weeks to buy a similarly-priced home. And you can drive the car off into the sunset, whereas the home isn't going anywhere," he said in an interview. "Twenty-five years from now, our grandchildren will marvel that real estate loans took so long to complete." He might be right. First, of course, the industry must find a way to navigate the treacherous waters of regulation and oversight that arose as a result of past abuses. Many feel that making the process as paperless as possible will help make abuses by all parties more difficult and make fraud less prevalent. Paperless is at the core of Sig Anderman's vision, and the expansion of the Encompass/ePASS network is the vehicle that can help bring it about, by linking essential technologies from providers all along the value chain.

Fraud, for example, has always been easy to perpetrate in lending for the simple reason that it just requires some falsified paperwork to commit robbery. With more programs becoming available from companies like DataVerify and Interthinx, fraud databases nationwide can be tapped in seconds. Reports are returned electronically and emerging technologies can extract data from them to populate rules engines and automated tools that flag anomalies for human intervention. So, although fraudsters are more sophisticated these days, the tools to combat them are even

more so. With fraud on a rapid rise, it is critical, in Anderman's view, for lenders to use these programs. "Lenders who don't embrace technology to screen for fraud on the front end will go out of business," he said. "It's as simple as that."

Lenders' problems aren't just lenders' problems, according to Daniel Jacobs, CEO of 1st Metropolitan Mortgage, a leading national broker network, who spoke at the conference. "We need to educate, get back our consultative nature and gather all available information," he said, referring obliquely to the epidemic of inappropriate loans that have been made over the last year because lenders would buy them. "The new innovation is getting back to the basics and educating our borrowers," he said, adding, "Any new regulations we see are addressing problems we should have taken care of ourselves." The larger question was not verbalized, but was addressed by implication: just because a loan can be made doesn't mean it should be made, and originators have to approach transactions with the borrower's best interests at heart, not just concerns over commissions.

Which segues nicely toward another main theme at the conference: that knowledge is power today, more than ever—and diversifying beyond quoting rates and fees is becoming crucially important. Ellie Mae assembled an impressive array of nationally prominent speakers for the conference, many with messages beyond the usual motivational "taking your production into the stratosphere" sort of thing. The dominant theme had more to do with adding value for clients than with simply pumping up your sales force with motivational CD's. It had to do with becoming both more astute as a financial professional and with helping borrowers use their mortgages as financial planning tools. "Mortgage planning" is an emerging discipline of the new millennium, according to Steven Marshall, and is a logical adjunct to traditional financial planning, whose practitioners are more versed on stock market equities than mortgage equity. "The old

paradigm of a big down payment, a 30-year fixed loan, and making extra payments to get it paid off early, is just that—an old paradigm," he said. "The wealthy become wealthier today by using their mortgage as a financial tool." Marshall then went on to point out a number of ways to bring that about by educating borrowers and working with financial planners.

Barry Habib heartily agrees that educating borrowers to bring about financial literacy is a good thing for originators. As founder and CEO of the Mortgage Market Guide, he is walking the talk every day by bringing information once considered technical and arcane to brokers via e-mail and the Internet. Those familiar with the tool have found a wealth of valuable information in their inbox each day that enables them to speak and plan with greater conviction and expertise. Steve Jacobsen, president of Fairway Mortgage, called tools like MMG and Dave Savage's Mortgage Coach "A lay-up for loan officers," the sorts of things loan originators of the future will routinely use to add value by counseling their customers.


Sue Woodard, Barry Habib's vice president at The Mortgage Market Guide, agrees. If you can imagine a self-proclaimed "financial markets geek" with movie-star looks and the enthusiasm of a sugared-up 10-year-old, you can picture Woodard speaking about becoming an expert on financial markets and economic indicators. She urges originators to "gain more prospects, develop stronger relationships and do more business when you make the switch from listening to financial experts to being one." Sounds difficult for those of us not born with the financial market gene, but she insists, "The financial markets are easy to understand when you realize they behave just as we do as human beings. They all make sense, once you know the code." One of the benefits to learning the "code" is becoming a resource for professional financial advisors, thereby earning their referrals. Even if you can't ascend to her level of passion ("It's Friday and the employment figures are in—I can't

wait to call my clients!"), you will certainly benefit by becoming conversant on the material.

Creating passion and sustaining it are keys to excellence in anything, including originating mortgage loans. Imagine if you could create the esprit de corps found in companies like Ellie Mae—the desire to constantly improve, which defeats complacency and entitlement. It doesn't happen when only personal gain and economics are involved; it happens when you can make a difference in peoples' lives.

"We've just rolled out WebCenter," said Jonathan Corr, chief strategy officer at Ellie Mae, by way of example. "It is a portal that creates a powerful ecosystem for brokers and bankers to improve the way they do business." It is also intended as an enhancement that will help move the industry toward e-origination—once again, getting rid of paper—a Sig Anderman passion.

Corr follows Sig Anderman's lead in visionary thinking. A Silicon Valley veteran, he worked with landscape-changing companies like Apple and Netscape prior to becoming known around Ellie Mae as "the father of Encompass." Automation will be the name of the game in the originator's world for years to come, and it is a good thing, Corr says. "Automation of well-defined tasks, such as compliance, marketing and customer support, will free up originators and managers to focus on relationships, new business and value-added activities."

Those are the things originators need to be working on and getting there will require not only what the best companies have to offer in technology, but also the educational tools now available from private companies such as the ones at The Summit. As Sig Anderman says, "Keep current customers happy before anything else. It's the first rule of business." 

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