DOING IT ALL

— by JIM HENNESSY —

Feisty Mortgage Builder Software innovates with a complete range of software solutions on a common cloud-based platform—and trumps competitors in time for mortgage banking's new era.

Could 2013 be the year mortgage technology truly comes of age? In the midst of global strife, the fiscal cliff and myriad other distractions, mortgage technology would seem far off the radar screens of most business analysts. But it shouldn't be. Mortgage technology has made astounding strides in the last few years in ways that other businesses could only dream of. ¶ Sound far-fetched? Some will argue if mortgage technology was all that impressive, it would have helped the industry avoid its many recent crises, such as robo-signing, waves of foreclosures and the avalanche of bad lending decisions that caused the whole mess. ¶ Many innovations that have come out of the meltdown address those very problems. Yet, it can be argued, that's like dead-bolting the barn door after the horse is gone. ¶ But take a leap of faith to 5,000 or 10,000 feet, and the Google™ map of the landscape becomes a bit easier to read. ¶ Compared with during the mortgage boom—an era that redistributed wealth in this country like no other in recent history—mortgage technology has advanced by Lebron James–sized strides.

Origination technology historically owned the spotlight because that's where the volume was, so that's where the research and development dollars went. Loan origination software (LOS) systems grew up and moved out—literally.

A decade ago, most of these systems resided on servers inside lenders' offices and were tended by cadres of in-house geeks (the word being used in the good sense), or in expensive data centers if you were a good-sized lender. The next tier down used PC-based LOS systems with far less impressive capabilities.

Product eligibility and pricing engines (PPEs) were gaining in sophistication and usage, made necessary by the presence of hundreds—even thousands—of loan program permutations. Getting a handle on all of those variations using product matrices and rate sheets became all but impossible. Plus, online shoppers demanded both variety and instant payment scenarios, making technology a must.

PPEs began to integrate with LOS providers, speeding along the origination software evolution.

Loan servicing software (LSS), on the other hand, had little impetus to fuel its development. There just wasn't much sex appeal around servicing technology at the time, a situation the industry has since paid heavily for in more recent years.

Specialized default-management technology was essentially invented by a Southern California surfer-businessman named Duke Olrich in the late 1980s as a bolt-on product for mainframe servicing systems. Yet, it was not widely employed until 20 years later when we were already awash in defaults.

"Big iron" technology providers modified their systems to the necessary degree, and most servicers had their own information technology (IT) people do customizations, but they (like the chairman of the Federal Reserve) did not see the full scope of the mortgage meltdown that was coming.

Smaller companies offering servicing system software innovations suffered loneliness for decades, with their target markets largely unmotivated to move off of industry-standard systems.

Motown's mortgage connection

The United States may be getting chubby as a people, but at least we have lots of belts available. The Sun Belt, the Bible Belt, the Frost Belt, the Grain Belt, the Cotton Belt, the Borsht Belt—all describe distinctive qualities about their respective regions. And then there's the Rust Belt, the often-maligned corridor of the upper Midwest that once thrummed with manufacturing and heavy industry, with its unofficial capital in Detroit.

Lately, believe it or not, there is an increasing mortgage technology vibe coming out of the area.

We know of Northern California's Silicon Valley, San Diego's bio-med-tech Sorrento Valley and Austin, Texas' tech corridor—but Detroit? Actually, it is Southfield, Michigan, that is of interest in the mortgage technology space—a city north of Detroit, bounded by fabled Eight Mile Road on the south and built on the banks of the main branch of the Rouge River.

An old town, it was far from the bustling downtown of Detroit, but the area's growth over the last 100 years has been transformative. Instead of farmland (it was first made up of the "south fields" of neighboring Bloomfield Township in 1817), it is now the metro area's largest office area, and is home to the region's electronic media.

More than 100 Fortune 500 companies have offices in Southfield in the more than 27 million square feet of office space that can be found there.

Southfield is also home to Mortgage Builder Software, a company well removed from the Fortune 500 in terms of size and scope. Mortgage Builder is a "sur-thriver" among lending technology companies, one that has made vats of lemonade from the tart citrus that drove hundreds of companies from the mortgage space over the last five years.

The firm accomplished this not by being a large, public company, but rather by being just the opposite. And it is, Mortgage Builder's management believes, the only company presently offering a complete lending life-cycle suite of products, covering customer contact, pricing, origination and long-term servicing, all on a cloud platform built for the purpose.

While the rest of the mortgage technology industry is still bolting components together like one of Henry Ford's early products, Mortgage Builder has eliminated the seams altogether.

Getting in on the ground floor

In the late 1980s, a young self-starter developed an interest in computers and programming. Recognizing the potential of this new technology, he decided to get into the field on the ground floor and began work at Glenn Computer Corporation in Southfield, then a young service bureau for small mortgage banks and community institutions.

Keven Smith was enthralled by computers, and instead of working with his hands in his father's insulation business, he followed his techie muse into a software environment. It was a good call. Within a few years he had put himself through college, helped refine the nascent servicing software from GCC that would run atop a large national servicer for more than 20 years, and developed the complementary loan origination software into Mortgage Builder.

"The servicing software [GCC founder and owner] Glenn Liebowitz built was brilliant," Smith recalls, "but the LOS was an afterthought. Loan origination was where the challenges were, so I gravitated toward it. Wherever there's a challenge, there's excitement."

Smith promptly put together a development team, the core of which still drives the company today, and worked night and day to create an LOS that would compete favorably with the best of an increasingly crowded field.

Most of it was designed to keep loan processors from having to re-enter information multiple times on the many forms that make up a loan file. Smith's vision called for much more than that in terms of workflow, Federal Housing Administration (FHA) readiness and eventually including everything needed in the process, including loan documents and extensive reporting capabilities.

Smith had a built-in audience for his product—GCC's servicing clients, who were enthusiastic boosters of the company's software. The new, improved Mortgage Builder LOS was greeted with similar enthusiasm, and in 1998 Smith's plan to spin the company off into a separate entity called Mortgage Builder Software and to serve as its chief executive officer was realized. It was a not very far-flung spin; the company has been in the same building with GCC in Southfield since day one.

Everything's included

The "everything's included" approach resonated well with clients, but it's probably not what made Mortgage Builder successful over the next 15 years. Design and execution are one thing, but taking a page from Apple and Harley-Davidson, the company was really looking for something else: raving fans.

"You look at really successful companies, and you find brand loyalty based on user experience," Smith observes.

"If you truly take care of the users, always providing a positive experience and getting their needs met, the rest will take care of itself. And the only way you do that is by having really good people on your end of the phone," he says.

He likes to point out that his team has never suffered a layoff and that in many cases, his support people have as many or more years in lending as the client staffers whose questions they are answering. A modest sort, you can get Smith to puff out measurably when he talks about the raving fans his team has created over the years.

"Just read the testimonials on our website," he says, "and you get the idea where our priorities are."

Kelli Himebaugh joined Mortgage Builder in 2008, when the company was very well established and had already won awards for customer service and technical support. She came on board as an account executive after 15 years of working in sales, finance and training for builders in the Southwest, as well as in banking and technology. A few years later, she was named corporate vice president—a position created for her to leverage her energy and knowledge across a broader base of responsibilities. This included deep involvement in corporate initiatives that had been percolating for some time amid the company's surprising growth in the down market of the post-meltdown years.

"There were so many things going on, particularly following our selection as the preferred LOS vendor to the Lenders One alliance of mortgage bankers," Himebaugh recalls.

"FHA came roaring back and we were among the only ones that had great expertise in the space. We've always been a HUD-oriented [Department of Housing and Urban Development–oriented] provider, and that, along with our Lenders One partnership, brought in many new clients," she says.

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What's old is new again

As new clients flowed in for the LOS system, Mortgage Builder sensed a new trend: mid-tier companies looking into retaining servicing on their loans. Most in the business during the pre-crisis boom and subsequent bust never knew an era when mortgage bankers routinely serviced their own production.

But prior to widespread private securitization, being a mortgage banker meant funding and servicing your own loans. Every company back then had a servicing shop, whether local, regional or national in scope. Newcomers often started in servicing to give themselves a flavor for the importance of loan quality and dealing with borrowers in the post-closing environment.

Of course, in those days there weren't many defaults, thanks to more rigid underwriting guidelines and steady property appreciation in most areas. Servicing departments were largely focused on processing payments, sending out polite letters when payments were missed and making phone calls when loans went 45 or so days late.

Smith, Himebaugh and the rest of the strategy team at Mortgage Builder knew that their former parent company, GCC, had a winner in its G/SERV® loan servicing system, and the common DNA in the technology already worked well with the LOS. As the crisis dragged on and servicers were stunned by the robo-signing debacle and large-scale penalties and enforcement actions, the writing on the wall went from pale gray to bright neon.

"Lenders we spoke to wanted to look into servicing their own loans for a number of reasons," Himebaugh relates. "They saw that they were exposed when subservicers and vendors along the value chain got in trouble, so there was a growing sentiment that they might be better off retaining their [mortgage] servicing rights [MSRs]. At the same time, servicing income is an attractive factor to fill in the gaps in loan production ebbs and flows," she says. "The hard part was finding a technology that they could implement, work well with and easily afford. We knew where they could find that."

Timing is everything. GCC's Liebowitz was looking toward retirement, and selling his company to Mortgage Builder was a perfect way to preserve his legacy.

Located on a different floor in the same building in Southfield, his employees could transition smoothly. And the servicing platform, which already had a strong interface to Mortgage Builder, would formally become part of the family.

Both systems were designed for cloud-based delivery and ran in SAS-70 Type II/SSAE-16 Type II compliant data centers, so no technical problems existed to slow the process. The sale was announced in May 2012. The speed with which the transaction went together was testament to something Keven Smith has always believed: Private is better than public.

"Being privately held, we can move quickly and invest in R&D [research and development] and in attractive opportunities rather than pay dividends to shareholders," Smith says.

"We have always believed in staying nimble and independent, and we've been careful to keep our cash reserves at much higher levels than necessary. We've accomplished things that would have been very difficult for publicly traded firms of any size," Smith adds.

The GCC acquisition put Mortgage Builder into a unique class of companies, offering solutions from one end of the mortgage process to the other, providing a way for mid-market and larger lenders to board loans from the LOS to the sibling LSS with ease.

The other thing Mortgage Builder discovered in the process was that Mortgage Builder's name was a drawing card. "GCC did not emphasize the marketing side of the house," Himebaugh says, "despite having an ideal, cost-effective servicing solution. Leveraging our reputation to get on servicing clients' radar screens, we signed four new servicing clients in the first few months."

Smith likes solving challenges. And with all the action surrounding servicing instead of origination these days, he sees a golden opportunity left behind by the giants of the servicing software business.

Smith feels they had grown comfortable with the pre-meltdown status quo, but the problems that resulted have thrown the mortgage industry's gates wide open, as all the biggest players rethink their servicing strategies.

"Basel III considerations have spurred huge sales of MSRs among the megabanks, and lenders of all sizes are going to fill the void. No stellar servicing system had emerged for the mid-market," he says, "until now."

Breaking out a whole new look

Beneath the calm exterior of the Southfield headquarters, there are risks being taken with the consistent and reliable Mortgage Builder identity. Fifteen years of constant growth, eyes-on-the-prize innovation and steadfast customer centricity can lull the casual observer into thinking that this car is built for comfort, not for competition.

But after a year's preparation and careful testing, Mortgage Builder came out with an entirely new look in time for the Mortgage Bankers Association's (MBA's) Annual Convention in 2012.

"It was a risk, all right," says Smith. "But we tested with our user conference as to upgrading our classic look and feel, along with new names for our products. We wanted to keep the Mortgage Builder theme that has served us so well, but at the same time send a message that we are anything but locked in the past."

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The Mortgage Builder LOS platform was renamed Architect, and coincided with the re-architecture of the solution that takes advantage of the most current technology available. In addition, the company had spent years developing an advanced electronic document management (EDM) module that was renamed Blueprint, and its Web-based origination and mobile application portal, freshly refined, was dubbed Surveyance.

The venerable GCC loan servicing platform, newly released with a complementary interface, has morphed from G/SERV into Colonnade.

In an uncharacteristic dramatic flair, Architect was previewed in September 2012 for a small party of the industry press in a highly evocative setting: the 52nd floor of New York's Millennium Hilton, amid the city's soaring architectural wonders. It was a rainy night in New York, diffusing light and water into a memorable tableau that inspired one member of the press—SourceMedia's Mark Fogarty—to write and publish a moving poem called "Freedom Tower."

"We had never done anything quite like that before," says Himebaugh. "It was an amazing night and it truly reflected the spirit of the new platform with its architecture themes." She adds, "But it was killing me not to be able to tell them what was coming next."

One more acquisition

What was coming next was another acquisition. This one, like GCC, was a company that complemented the flagship LOS but would also stand on its own.

In October, at the same time it was formally introducing Architect, Mortgage Builder announced it had bought Denver-based LXE Software. Its signature product, LoanXEngine™, had been innovatively designed to combine the essential services of lead management, customer relationship management (CRM), and product eligibility and pricing into a single user-friendly platform.

Alan Johnson, the company's founder and chief executive officer, became an executive within the Mortgage Builder management team and his Denver offices formed the nucleus of Mortgage Builder's physical presence in the western part of the country.

It was a sensible fit. Like Mortgage Builder, LXE Software had cultivated raving fans among its existing clients, several of which were already Mortgage Builder users.

"LoanXEngine brings the very front part of the process into the equation, before there is even a loan application," says Johnson. "It makes Mortgage Builder the only 'front-to-end-to-end-to-end' company in the industry, with top-shelf CRM, PPE, LOS and LSS systems working in a common platform. Most importantly," he adds, "the client gets to decide to use all the components or just a few."

Perfect timing

A newly re-engineered core software platform, newly renamed after almost 15 years of unbridled success. A newly acquired loan servicing software system with common DNA and designed for emerging mid-tier and large lenders looking to service loans. A newly acquired best-of-breed PPE platform with integrated lead management and CRM, not to mention a sizable client base.

And all of this accomplished in a single year without significant debt—most unusual in an industry whose vendor scene is dominated by big public companies.

Keven Smith was right—timing is everything, or at least a big part of the equation. The other parts of the equation must include focus, considerable digestive fortitude, human-resource smarts and nimbleness.

As mortgage technology rolls with the punches and continuously comes up with new solutions, sustained growth depends not only on innovation, but also on stability.

Sometimes the most established players become complacent, as we have seen countless times within and outside of our industry. At other times they lead with new ideas, right when the times most require them.

One thing is certain: You can never predict where innovation will come from—and the innovators are the ones who ultimately define the standards for the industry. MB

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