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Is Your LOS Priceless, or Just a LOSer?

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It's unfortunate, but if you're like most lenders, your LOS technology is probably a loser for you. Don't get me wrong: I'm not taking potshots at the companies that offer LOS technologies, and I'm not saying lenders have failed either. It's just that choosing and implementing the best LOS for your company's needs is a daunting process with plenty of opportunity for missteps.



Before I go any further, it is important to define what I mean by a "loser". Here is an example: Lender A invested more than \$500,000 in a new LOS technology just over three years ago, and is already planning on replacing it with another vendor's LOS product.

When asked why, Lender A describes the following problems and issues/complaints that I maintain are symptoms of a "loser" system:

- * Processors and underwriters are complaining about rework.
- * People hired since the LOS was implemented have never had a formal training program about the system's functionality.
- * The LOS solution worked great three years ago, but since then an entire underground system of fixes and workarounds has cropped up just to keep the system up and running.
- * Competitors are bringing new products to market faster.
- * Top executives know there is a problem and don't know what it is costing the company.

The good news is that there is a common sense approach and tools available to solve this problem. In the end, it comes down to business metrics. Lenders can't escape the need to establish and measure the business value of their LOS technology. To put it plainly, the LOS by itself has no inherent value. However, the information that the LOS helps lenders to garner is priceless. Mortgage lenders need products to help them search for an LOS that

serves them, implement that LOS for top efficiency and cost savings, and use an LOS with flexibility to bring new products to market faster.

Sure, if you're thinking "easier said than done," you're right. There's no magic wand, no silver bullet. Here are a few customers that we have been able to help:

For one, following a recent acquisition, Howard Hanna Real Estate Services in Pittsburgh was confronted with the prospect of having 150 users and two LOS programs, neither of which were aligned to meet the company's needs. Mark Steele, president of Howard Hanna Mortgage Services, said that his company used the our tool as a decision-support system to consolidate software and move the company to a uniform platform.

So, how can your company achieve similar results? It all comes down to understanding your company's own business metrics and matching them to the most important productivity and profitability tool your company owns: its LOS. If you have a good handle on your business metrics, then you should be able to objectively choose an LOS that is right for your company, or breathe new life into your current LOS.

Here are three steps that will put you on the road toward capturing your business metrics and building performance specs for your LOS.

1. Define your business requirements. Who are your customers, and exactly what role does the LOS play in your relationship with each of them? This isn't easy. It takes time. Ideally, you need to map out the workflows for your LOS. Only then can you really determine the performance requirements for your LOS, and then communicate objective specifications to prospective vendors.

2. Determine the overall capabilities your LOS currently provides, and where you believe you need to be based on specific market challenges. Estimate the ROI. Some typical calculations in determining ROI are:

* The cost of rework. What would your company save if everything were done right the first time, every time?

* The impact of communications with your customers through point-of-sale websites and third-party lead generation services. Are you losing business because communications are inadequate, and can you put a price on it?

* Your competitive position, especially when it comes to adding new products and services. Are you leading, just barely keeping up, or does it feel like the pack has passed you by?

* The overall functionality of your LOS-like interfaces. How much manual intervention is required, how much time is spent reconciling, and what is the financial impact?

3. Develop a detailed, structured RFP based on the workflows you mapped out in the first step above. If these are the specific functions you need your LOS to perform, why not measure the vendors and their products against your requirements? Also, make sure you control every part of the RFP process. Finally, make vendors demonstrate the ROI their solutions will bring you based on your unique needs.

Imagine an end to the off-the-shelf "loser" and all of the wasted time, hassles and lost productivity.

The feeling? Well, it's priceless.

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