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Featured Story
Building a Best-in-Class Internet Presence

 By [Scott Kersnar](#)


Are the big dogs of the online-lending game using advanced technology to chase smaller players off the field? As the ranks of the subprime and alt-A lenders shrink, there are many signs that bank-owned mortgage websites are doing a ton of business, with trusted brands and continued access to funds giving the larger players an advantage.

Pete LeFebvre, EVP for Gallagher Financial Services' Brentwood, Tenn., operations center, said a lot of the high-end lenders Gallagher serves "are doing historical high volumes now. Those who have invested in the technology, especially in the Internet channel, are able to take advantage of that increase in volumes." An example is INGDirect.com, which reported a significant upsurge in mortgage applications this year.

Tower Group consumer-lending senior analyst David Hamermesh, who spent 13 years at ABN Amro Mortgage and its acquired entities "doing a variety of work" on LOSs and websites, including Mortgage.com, states that brand does favor large lenders, given the uncertainty of the current market. Paired with the "clear communication of a simpler process" enjoyed on the websites of the larger lenders, he said "what will drive online shoppers is trust in the brand if they are going to input their information into a website."

Back in April, as the subprime problem became clearly evident, San Mateo, Calif.-based Dorado Corp. said that Chase and the other upper-tier lenders Dorado serves were showing a 36% increase in loan applications for March 2007 over the previous month. "Individual lenders on Dorado's network have experienced from 24% to 79% increases from the close of 2006 to the present time," the company said.

David Hultquist, Dorado's marketing vice president, noted that there is a "barbell" scenario within the mortgage market, in which the big banks served by vendors like Dorado and Gallagher dominate the high end of the market while community banks, credit unions, and brokers serve local markets, as a shrinking number of correspondents and other intermediate players look for survivable niches and stalwart investor partners.

"We see the large lenders continuing to have a mixture of retail, direct, wholesale, and correspondent lending," said Mr. Hultquist. "A best practice for these large lenders is to provide websites for consumers, brokers, and correspondents that give each of them the functionality and services they need, at the appropriate level of sophistication, but to see all that activity on a single platform, all rolled up into a unified pipeline. SOA-based architecture makes it possible to coordinate lending across all channels.

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"They want to offer their loan officers and customers as much customization and personalization as possible but at the same time guarantee that the appropriate corporate policies and regulatory requirements are met." He argued that vendors like Myers, a la mode, and vLender can offer templates with a corporate look and feel and some transactional capabilities, but they can't offer fully robust enterprise functionality and SOA-based architecture. "This is a big software issue," he said, particularly when you have to meet the needs of thousands of loan officers at a time. "A Chase or a Countrywide wants to let loan officers have a personal touch, but they also need to have enterprise-wide content management controlling all that. These are banks."

Scott Happ, CEO of Mequon, Wis.-based Mortgagebot LLC, concedes nothing to Dorado.

While Mortgagebot provides direct-to-consumer transactional interfaces to small banks and credit unions, it also serves 35 of the top 100 banks and thrifts and 40 of the top 100 credit unions. Mortgagebot is a leader and pioneer in online lending. Its award-winning PowerSite product enables mortgage lenders to take loan applications over the Internet, through the branch, or from a loan officer's laptop. Originally launched under the banner of Marshall and Iisley Corp. to serve banks, Mortgagebot continued to leverage that bank-owned lineage when it spun off. More than 500 banks and credit unions now use Mortgagebot's PowerSite product as a configurable, private-label service.

Mortgagebot recently released its Benchmarks 2007 study, based on a survey and analysis of the online lending practices and procedures that have been implemented at more than 3,600 mortgage-lending websites maintained for its more than 700 clients nationwide. The study showed that a quarter of the Mortgagebot customers studied "now originate more than half of their loan volume via the online channel."

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Estimating that the volume of mortgage loans attributable to the online channel has grown to 20% nationally, Mortgagebot cited an August 2006 Forrester report showing the Internet as the fastest-growing channel for mortgages, with 70% of loan seekers going online to shop for rates. One key finding of the report was the nearly tenfold growth of applications for home equity loans, from 3% in 2003 to 29% in 2006. The study showed that the number of lenders implementing home-equity functionality in the direct-to-consumer channel has more than quadrupled since 2004.

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An example of the study's findings on consumer behavior is that since 48% of mortgage website visitors go there to check rates, a best practice is to push rates out to the homepage. Only 37% of participating lenders reported collecting a fee at the point of sale, with the majority waiting until after loan approval to ask prospective borrowers to present credit card information or accepting a fee offline. The study showed that online lending tools are becoming more popular among loan officers, with implementation of loan officer websites more than doubling since 2004.

We have been following the evolution of transaction-capable mortgage websites since Bank of America first established a profitable presence on the World Wide Web back in 1994. The attributes defining an online origination have developed slowly. Countrywide counts loans generated from a call center as online originations, other lenders do not.

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A 2001 Tower Group research note authored by Craig Focardi said the base definition of an Internet origination was "electronic sourcing of a mortgage application and the collection of the loan app data via a website and some level of electronic communication replacing paper communication." That Tower report specifically cited loan status information delivered via a website, and included "email communication to replace 'telephone tag' that slows down the process."

So what are the best practices for consumer-facing mortgage websites?

Mr. LeFebvre stated that the key purpose of a mortgage website, whether B2B or B2C, is to "maintain a dialogue with customers." He said anything that deviates from that "is a step away" from the website's central purpose.

Intuitive navigation is another requirement of any website, said Mr. LeFebvre. "Consumers expect standard navigation across all these sites. The Web has become a mature tool with standards of look and feel," he said. "The consumer is used to using the tool. There is no longer a need to get flashy just to get business." He said high-end Internet technology only becomes relevant "if it meets the core goal of the website."

Enabling prospects to contact a live person at any point in the process has become an established best practice for D2C websites. As Tower Group's David Hamermesh noted, a central mortgage-industry objective for direct-to-consumer online lending has long been to enhance self-service functionality in order to control personnel costs. "For the consumer who wants to be in control, that works well," he said, but most borrowers expect to have options, to have online chat, to be able to call someone [for assistance]."

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"Another piece on the communications front," he said, "is to make the process as transparent as possible to the consumer to set realistic expectations upfront and make relevant information available to the consumer. That is where the big lenders have an advantage, because they have the call centers and the back office infrastructure to support that. An online-only lender won't."

Mr. Happ said a D2C website must duplicate all of the services provided to a borrower by a live loan officer. "All in all, the website needs to be competitive with all of the customer's other options," said Mr. Happ. "Best practices have to stem from that." He said that means a website must have the ability to provide detailed pricing information, must provide an 'intelligent' online loan application that dynamically takes an applicant through the process "the way TurboTax does," and must be able to approve and lock a loan on behalf of a self-service applicant. He seconds Mr. Hultquist in saying that a consumer-facing website must be backed by enterprise-wide integration with back-office systems.

Is using high-end Internet technology in and of itself a best practice for D2C mortgage websites? Dorado certainly shines in that regard. Tower's David Hamermesh cited Dorado's

Is using high-end Internet technology in and of itself a best practice for D2C mortgage websites?

use of Adobe flex products in their solutions they provide top-tier lenders as an example of the sophisticated technology smaller lenders are challenged to match. Dorado was named a 2006 Adobe MAX Award winner for its innovative use of rich Internet applications in its ChannelMaster 4 product, which uses Adobe's Flex technology in a "dashboard" application that improves on traditional HTML for updating information and interacting with borrowers and third-party services.

Similarly Gallagher boasts that the newest version of its Data Manager gives lenders dynamic

Web content from NetOxygen's server to the browser, including real-time edit checks and validations, without the need for additional programming or plug-ins. Mr. LeFebvre said that "for the past six years or so" Gallagher has been leveraging AJAX (Asynchronous Java and XML) -- in this case to make webpages perform like a desktop Windows application. One benefit is cost savings, he said. Another is that lenders "can deploy their core lending platform over the Web without incurring the extraordinary costs of purchasing high bandwidth connections or obtaining licenses to one of the thin-client application delivery technologies."

All those interviewed for this article cited compliance and integration as key best practices. Given the mortgage industry's current problems, said Mr. LeFebvre, "we will see increased regulation" that underlines the critical need to "maintain integrity of the data," particularly borrower data. That puts a focus on vendor integration, he said, with vendors "connecting on the front end and back end so there is no need for multiple entry of data." Beyond security concerns, he said, "you can lose borrower leads if you don't support them throughout the process."

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These days, because lenders have to pay "more and more attention to making sure prospects are qualified," they need, first of all, to integrate the website "with scoring and credit engines," said Mr. Hamermesh. Companies like Credex bring together the resources to do that for originators. "Advances in the integration of disparate databases and Web apps have just begun," commented Credex COO and CFO Peter Phelps. "The only limit is the human imagination. For example, a consumer mortgage application can be started and approved by combining the credit report databases with income information available from the IRS, from AVMs, etc., all driven through an automated underwriting engine, resulting in approval (or denial) in a nanosecond." Going forward, D2C mortgage websites will certainly be measured by their ability to harness that capability.

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Has enabling e-signing of disclosures become a best practice for D2C mortgage websites? "The technology to do that is certainly in place," said Mr. LeFebvre. "We know from the experience of our customers that e-signing dramatically reduces their costs, but I don't know that it's a requirement yet. You are at a competitive disadvantage if you don't have that capability."

Now that Apple has sold its millionth iPhone in the United States and TextMyMLS has made text messaging a tool for marketing homes for sale, has optimizing Web pages for hand-held devices become a best practice for D2C mortgage websites? No one interviewed for this article said that it has yet. "Back in 1996 we did the first hand-held application for Palm," recalls David Werner, CEO of Saint George,

Utah-based Mortgage Internet Technologies Inc., an Internet pioneer founded back in 1997. "It was more difficult to do that then. Today I can go to my Blackberry and get to our website, but we will probably see more use of hand-helds for approval and status notification than for browsing."

He pointed out that the technology already exists for a home seeker driving around a neighborhood to pull up to the curb in front of a house with a for-sale sign in front, get on the phone, be located by GPS, get information about the house via cell phone or PDA, as the listing agent and loan officer get real-time notification that a prospect is parked in front of that listing. "One of the things we will see in the future is a killer application that will provide full-bore scoring and approval on the spot," he predicted. "But that is going to touch the back end of the industry more than the [user interface]." In the meantime, he said "the 80/20 rule still applies" to the adoption of technology by mortgage originators, most of whom use only a fraction of the existing tools. He stated that there would be a huge technology revolution today "if they only knew what they could do with the technology that's already out there."

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