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Technology Can Play a Big Role in Restoring Liquidity

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Thursday, July 29, 2010

By Anthony Garritano

As pure-play mortgage lenders continue to scramble to get warehouse lines, technologists say automation can help.

Rob Katz, president at LOS Del Mar Database, contends, "The entity giving a warehouse line has to be confident that their partners are doing sound lending. How do you prove that if you don't have technology in place? Because there are so few sources for lines and they're restrictive, being able to demonstrate that you have the technology to move a loan through the pipeline quickly and efficiently is an advantage.

"From the lender's perspective, once you have a line of credit you need to keep that warehouse source happy. Don't make them call you with questions. Call them if there's a problem loan and send them regular financial reports. So they need to ask themselves: Can I reconcile my loans? Can I easily reconcile my pipeline?"

Despite the numerous benefits of technology, warehouse lenders aren't to the point where they're demanding their lenders to have certain types of automation in place. "I'm not aware of any technology requirement being imposed by warehouse lenders," said Mary Kladde, the founder and president of Denver-based mortgage fulfillment company Titan Lenders Corp. "The warehouse lender will dictate the technology used. We've dabbled in supporting lines for smaller players. In situations like that we supported the lending flow with our technology. The big guys have enterprise, homegrown systems. There isn't a lot of technology."

Flagstar is an example of a warehouse lender pushing e-note adoption. Titan was named a preferred provider by Flagstar Bank for its wholesale lending channel's broker-to-banker initiatives. Flagstar Wholesale Lending offers those correspondent lenders who meet specific underwriting criteria a warehouse facility, and purchasing facility to support their adoption of e-closings and notes.

"Texas Capital Bank is also moving in this direction from what we hear," added Kladde. "With e-notes everything is transferred seamlessly and there's less chance of fraud. Efficiency and margins will push the industry to automate. Doing more volume with less liquidity will be another driving factor."

The key to making all of this happen according to Kladde is standardization. "If we had industry standardization in terms of data transfer you can do detailed analysis that isn't possible today. If you don't have the data, you don't know what you're buying until it's too late. Warehouse lending really wasn't visible prior to the past few years. So, you'll see more technology come about to meet market demand because of the need for liquidity."

Kevin Marconi, chief operating officer at midtier lender United Fidelity Funding, attributes his company's success in getting warehouse lines directly to its technology. "We've been blessed in that we have several warehouse lines to accommodate our growth. However, a year and a half ago we only had one line and we wanted to grow.

"So, we had to put applications in everywhere across the country to get a line. That was a slow process. As a result, we looked to measure everything we did to be as efficient as possible to turn the line as fast as possible. In one month we turned the line four times. We also deal with the aggregators vs. the agencies directly, which also slows the process down. It was only through the use of our technology that we were able to accomplish turning our lines so quickly."

Despite Marconi's desire to automate further and eventually ship full e-notes, he still sees his company's warehouse lenders standing in the way. "We actually have one line that is very pen and paper. Our technology scares them. In general, warehouse lenders are a big obstacle in getting broad e-note acceptance. They are the final frontier in getting that done."

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