# WHAT IS
# A MORTGAGE LOAN
# ORIGINATION SYSTEM?

" A MORTGAGE LOAN ORIGINATION SYSTEM (LOS) IS A PLATFORM THAT TAKES A COMPLETED LOAN APPLICATION AND FACILITATES THE MORTGAGE TRANSACTION FROM PROCESSING TO SHIPPING.

# 01

# WHAT IS A LOAN ORIGINATION
## SYSTEM FOR THE MORTGAGE INDUSTRY?

**A Mortgage Loan Origination System (LOS) is a** platform that takes a completed loan application and facilitates the mortgage transaction from origination to post closing.  LOS systems may include document management, pricing and eligibility engines, and compliance tools to decrease risk and increase loan manufacturing quality.

A LOS is designed to manage loan origination, fulfillment, pricing and eligibility, and document management. While doing that, it also works with other systems (CRM, POS, compliance, document production, third-party vendors etc.) via integrations.   Businesses who are preparing to select a LOS or switch from an older LOS need to do the following tasks. The business's current internal processes need to be examined and defined.  Research regarding LOSs and other software should be compiled and key features identified.   When a decision is ready to be made, the business needs to choose the right software, solidify/re-define their business processes, identify needed extensions, inform employees, and begin the training and implementation.

# 02

# DEFINING A
## LOAN ORIGINATION
## SYSTEM (LOS)

**A LOS is a software system designed to**
- Manage loan origination and fulfillment processes
- Manage pricing and eligibility for each loan
- Manage the required documents for underwriting and closing
- Interface with third-party systems for data/document exchange
- Interface with compliance vendors to ensure compliance

# 03

## LOAN ORIGINATION AND FULFILLMENT

**Each lending institution has its own loan fulfillment process,** but they generally follow the same principles. Because of that, a LOS will have a configurable core functionality that provides technical management of origination and fulfillment.

This origination functionality may include some point-of-sale functionality, process management, status/milestone management, origination workflow, and documents management.  Certain subscriptions provide more configurable and custom options as well.

Fulfillment usually means processing, underwriting, closing, funding and post closing.  Fulfillment processes take an application from origination to closing and secondary market sales/servicing boarding.

Origination and fulfillment management will help your team members manage their pipeline in collaboration with borrowers, internal staff, Realtors®, and other third-party service providers.  This process is informational and data-driven.  An LOS manages these information flow and drives the data through the origination and fulfillment functions.

# 04

## PRICING & ELIGIBILITY

A product and pricing engine enables LOS's business users to quickly determine if a loan is eligible for a particular product at which pricing level.  Some LOS's offer sophisticated business rule management systems as well.  Most LOS platforms offer built-in integration with external product and pricing engines.



# 05

## DOCUMENTS MANAGEMENT

When a customer signs a loan application, where does it go?

Many software systems that a business may consider using to manage loan origination are often lax on the answer to this question. With a document management system, a modern LOS takes the paperwork out of salespeople's briefcases and random computers, and into secure, authenticated document system in the cloud.

A quality LOS's document management system should store borrowers' documents in accordance with industry security practices.  There is no guarantee against data breach, but a LOS software vendor should use commercially reasonable efforts to safeguard consumer's information.

Read our post "Four Ways To Improve Mortgage Lending Operations - a Borrower's Perspective."

# 06

## THIRD-PARTY SYSTEM API/INTERFACES

Another functionality to consider when selecting a LOS is the ability the system can connect to other third-party systems via API's. In software, API is a framework that is designed to let other applications and programs work with a software system.  For example, a bank will have specific total customer relationship, house-holding reporting needs that are not covered by a LOS. Using API calls, the organization will be able to plug their loan origination system into their other systems to manage the entire corporate and local workflows.

## CONFIGURATION & CUSTOMIZATION

At certain levels, businesses need to have unique customization for their own business needs. It is important to determine specific customization or configuration needs and research whether a LOS is capable of handling them before making a purchase decision.

# 07

## FINDING THE RIGHT LOS: THE DISCOVERY PROCESS

A LOS is not a one-size fits all system. For smaller brokers and banks, a LOS may be one of the more significant purchases they make and should be thought through and planned out before any decisions are made.  The process for finding the right LOS includes studying the business's internal processes, researching different software systems, planning out key features, and entering a relationship with a software vendor.

# STUDYING INTERNAL PROCESSES

What are the steps a customer goes through during the sales process and the life-cycle of the loan? What information does underwriting need to make an informed decision? These questions and others like them form the core of the information a LOS will manage, and it is essential that any business map them out before they look for a LOS system.

- Customer Acquisition – What are the steps involved in gaining leads and converting them to customers?
- Loan Life-cycle – How is a loan managed over its lifetime? What is the process for managing the inventory after the loan is closed?
- Underwriting Process – How is credit assessed?
- Documents Management – What documents are necessary for closing a loan? What documents are necessary for reporting? Who needs to access these documents?
- Interfaces – What software is currently being used to manage different aspects of the business? Does that software need to be integrated in the loan origination process?

Answering these questions is necessary in order to enter into the next step, researching LOS options on the market.

# RESEARCHING ALTERNATIVES

There are many software vendors and types on the market. During this stage of preparing for purchasing a LOS, key decision makers should be reading white papers, attending demonstrations, and doing other due diligence on LOS options and alternatives.
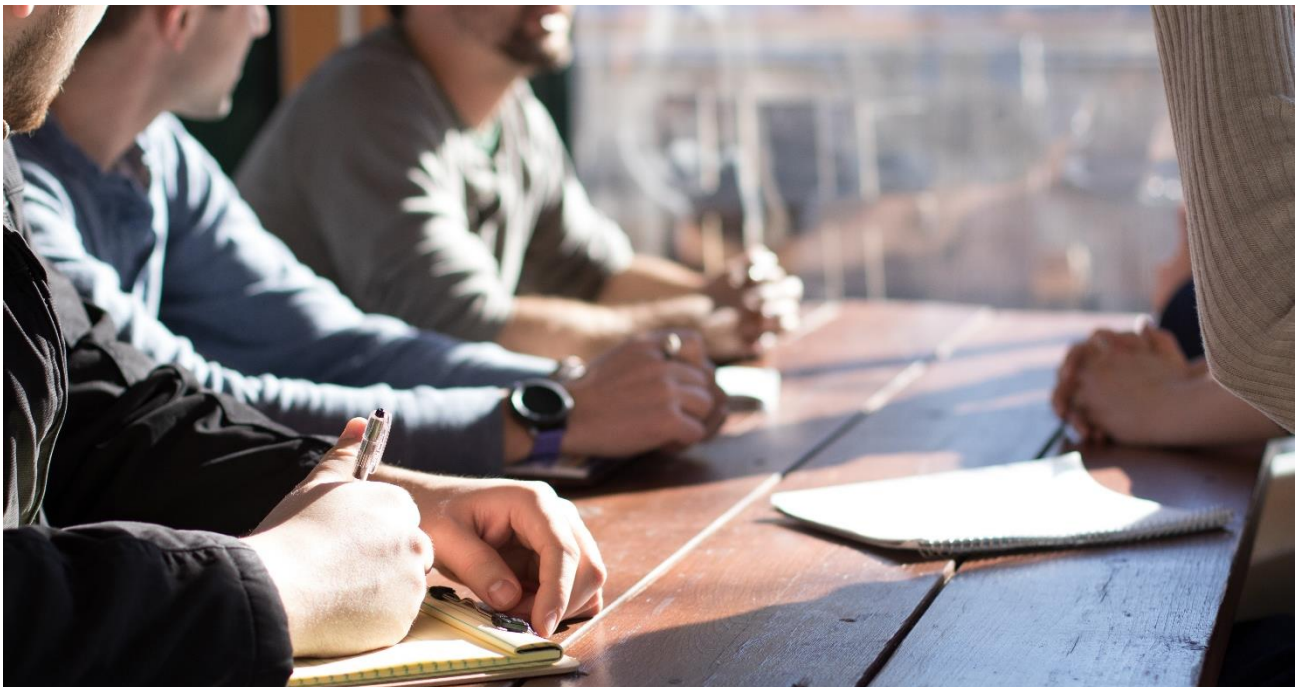
# KEY FEATURES TO LOOK FOR

When researching, there are several key features that any LOS or alternative needs to have in order to meet the needs of any mortgage lending institution. Some of the key functions have already been discussed in some detail.

- Loan origination and POS capabilities
- CRM functionality
- Document management
- Pricing and eligibility
- Compliance features
- API for data exchanges

Some other key features that a business needs to consider when selecting a LOS include:
- Cloud delivery – Secure access by approved users keeps PII from being stored on non-secured personal hard drives.
- Professional installation – Loan fulfillment is a core part of a business's processes. There will be significant labor involved in setting any software system up for a specific business and the software vendor should have accounted for that with installation fees.

A key features list for the business should be written and agreed on by decision makers while researching alternatives. Investing in a LOS is a significant decision and should not be entered lightly.

Read our post "Increase Cost-Efficiency Of Lending Operations With Cloud Software.

# REQUEST FOR PROPOSALS, DISCOVERY, AND THE LOS

Once research has been done, the moment comes to make a decision and begin implementing a LOS. For some institutions, there is an additional step involved in asking for RFPs from various vendors. Whether the business uses the RFP process or internal research and discovery, the previous research steps are essential. With an understanding of business processes and key software features, the selection of software simply follows the already defined parameters.

Read our post "Paying for an Loan Origination System" to find out what to expect to pay for an LOS.

# 08

## PREPARING TO USE AN LOS

**During the process of research and once the purchase commitment has been made**, the business needs to prepare for integrating the LOS with their current systems.  Required business process changes (discovered in the internal study) should be designed before integrating new software. Critical integrations need to be identified and discussed with the LOS provider. Third-party service vendors should be part of the discovery process and prepared for the new software and how it will impact their interactions with the business.

## SOLIDIFY BUSINESS PROCESSES

Once the process of discovery has identified current business processes, prescribing necessary changes is a natural follow up.  These processes include lead acquisition, sales and presentation materials, credit research tools, the underwriting process, final decision making, and document management. If any one of these steps are slow, lose data, or have other problems, the root cause should be discovered, and a solution suggested before the software is committed to.  A great software does not repair poor business processes, it simply amplifies the systems that were already in place.  But, deciding on a software system is a good time to improve good processes and make them great.
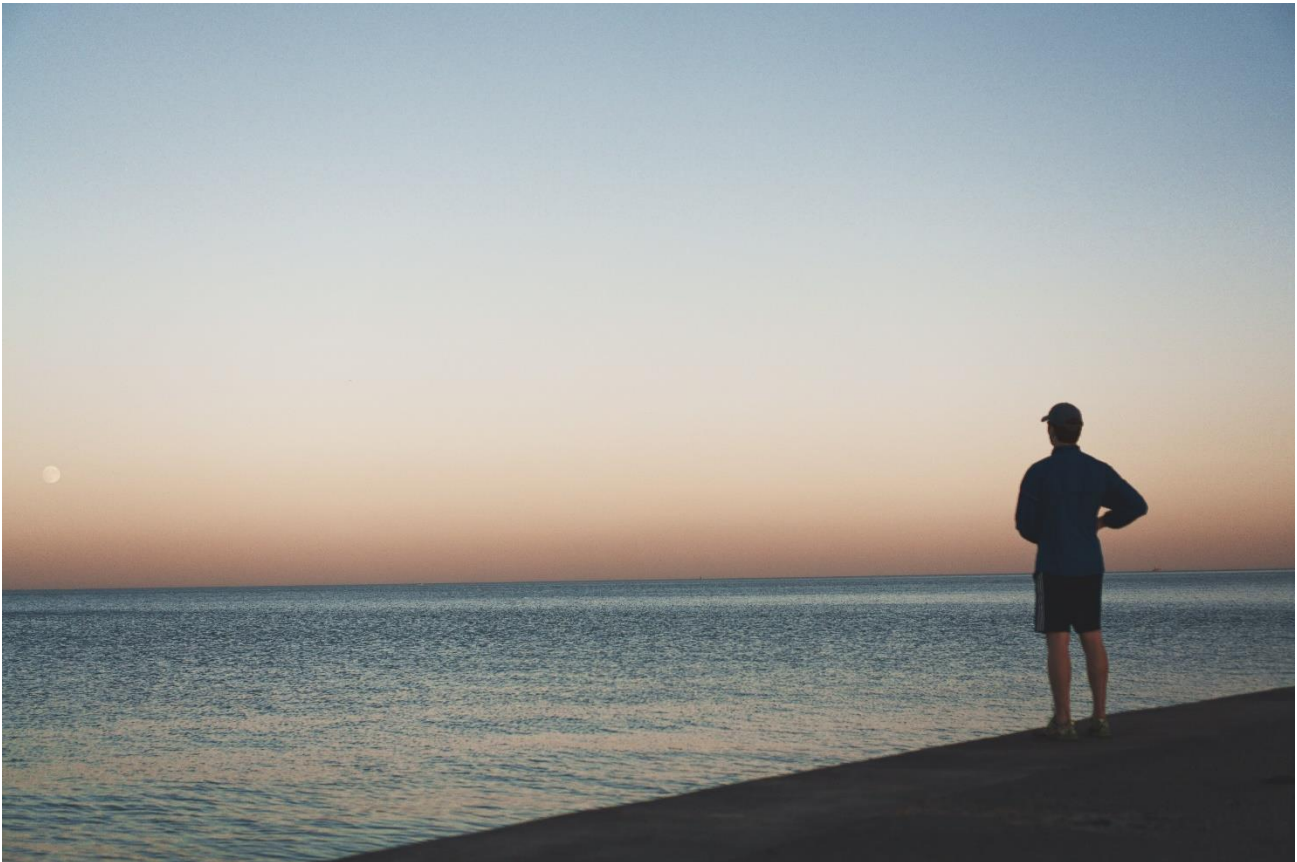


## IDENTIFY EXTENSIONS

What software does the business already use? What other purchases are being considered as well as loan origination?  When a purchase is committed to and processes are identified and improved, a list of  current software and needed integration will be simple to write.  At this point, the business should have a discussion with the sales and DevOps teams at the LOS vendor regarding the feasibility and costs of these integrations and extensions.

# 09

## FOR YOUR CONSIDERATION

A LOS helps to manage the mortgage sales process from the point of sale with the loan officers in the field to the underwriters and others at the corporate office.  With proper planning and foresight, a LOS integrates with other current business systems and increases efficiency in lending process.  The LOS becomes the system for managing the information, documentation, and relationships of a mortgage business. As such, most mortgage companies who use a good LOS as their daily system-of-record never look back.

LendingPad® is a LOS designed by lending professionals for the lending industry.  As such, it meets many of the key features discussed in this whitepaper.  To learn more about LendingPad® LOS please visit How LendingPad Lowers Costs and Improves Efficiency or contact us to set up a demo.

LendingPad®

*Lend Better, Together*™