

# Origination Processes: The Importance of a Dedicated System Administrator for Financial Institutions

## Introduction

Financial institutions play a fundamental role in the economy. They facilitate re-allocation of wealth between entities in surplus and deficit. They do this by collecting money through deposits and lending money. To survive, they charge a transaction fee (interest rate, commissions, etc.) to cover the costs they incur (credit cost, operational cost, return on equity (ROE), funding, etc.).

Given the goal of banks and credit unions, it is obvious that lending is a core activity. It involves people and technology. Technology that facilitates the processing of a loan application is usually referred to as a loan origination system (LOS). It goes without saying that LOS solutions play a crucial role in the well-being of financial institutions.

Whether an institution has been on a LOS for years or just recently implemented it, the need for centralized administration is fundamental. A central system administrator should maintain the system, document changes, nurture relationships with all the different stakeholders (vendors, internal functions) involved in the origination process (usually many). This role should ensure the system is compliant with the current regulations, keep the system processes efficient and clean, and limit operational risk.



# What is a LOS, and What Does it Do?

A LOS is technology that facilitates the processing of a loan application as well as disbursement of the funds. It can certainly be a very impactful solution for an institution, increasing efficiency and effectiveness of the process while limiting operational risk.

These systems allow institutions to automate processes that previously were completely manual.

An effective LOS allows an institution to:

- Automate data entry
- Collect external information (credit bureau reports, public information, collateral evaluations, alternative data, etc.)
- Automate decisioning through advanced and configurable algorithms
- Process a loan through an advanced queueing system
- Coordinate and connect all involved stakeholders in the process
- Automate communication with clients
- Generate contractual documents and disclosures
- Support e-signatures
- Book to the core banking system
- Disburse loans

A robust LOS will also handle new account opportunities, meaning it will accept online applications related to new deposit account requests in addition to new loan requests.

Automating elements of existing processes can save an institution a great deal of time and resources, while also limiting operational risk. The better a LOS is configured and maintained, the more streamlined processes and handoffs will be for the institution.

Although the LOS is initially designed and implemented to handle all or some of these functionalities, a person is still needed to configure, maintain, and take responsibility of the functionalities to ensure they are used as needed and performing as expected. This person is the system administrator.

## Who is the System Administrator

A system administrator represents the centralized point of maintenance and communication around the loan origination process, which is an absolutely crucial role within every financial institution.

System administrators communicate with different stakeholders (loan originators, underwriters, processors, legal teams, IT staff, etc.) to identify needs, set goals, keep a working knowledge of the system as well as products and services available within the system, configure the system, and maintain it on a consistent basis. This role is often not an IT professional (depending on the complexity of the LOS). Instead, it's a business and operations professional within the institution. An effective administrator must have a balanced knowledge of what to configure, why it needs to be configured, and how it should function. This can often be a difficult balance to find.

However, in reality, these team members have other vital responsibilities. Consequently, it becomes increasingly difficult to find time to collect requirements, make all necessary changes, and stay knowledgeable about new and upcoming functionality. Institutions typically undervalue the importance of this role and avoid hiring a dedicated and experienced person for this complex set of responsibilities because of the perceived cost. However, this will lower the efficiency of the origination process while increasing operational and compliance risk.

The system administrator largely works on the back end, but this role's activities and responsibilities shape the way the system functions, which by default shapes the processes undertaken on a day-to-day

basis. Although the system administrator may be a quiet presence in daily operations, the effects can be seen throughout the credit life cycle.

## Activities and Duties of a System Administrator

An administrator's typical duties will fall into any of the following categories:

- **Requirements** – Interact with different stakeholders and systems involved in the origination process to collect and document requirements based on business needs and goals
- **Implement** – Create new products and/or services within the system
- **Test** – Perform testing activities based on system changes and help with UAT (user acceptance testing)
- **Maintenance** – Configure changes based on evolving needs and goals, review technology updates (new functionality), and assist with determining whether or not these updates should be enabled
- **Day-to-day changes** – Examples include:
  - Creating new users
  - Disabling users
  - Updating rates

An indirect responsibility of the system administrator is to make the day-to-day jobs of the system users easier. By incorporating as many useful functionalities as possible, this person enables the user to focus on more difficult tasks that cannot be done by the LOS and frees additional time for the institution.

System administrators should be knowledgeable enough to understand the business side of the operation to effectively deploy these functionalities. Understanding both aspects can sometimes be challenging if the system configuration is sophisticated and the process configuration takes significant monitoring to maintain.

## Challenges for Financial Institutions

Some of the duties mentioned in the previous section arise regularly, such as day-to-day functions, and may only take a few minutes to complete. But these duties still require a deep knowledge of the system and process. They also require structured and auditable procedures.

However, many institutions encounter administrator resource constraints while implementing and testing new functionalities or processes.

Depending on the complexity of the organization, IT systems and specific tasks involved, the activity of a system administrator may take a few hours a week, a full-time employee (FTE), or even multiple FTEs in very large organizations with multiple technology solutions related to a specific credit process. Examples of these processes include workflow, decision engine, data gateway, online platform, etc. So, when there is demand for a new process and the institution does not have dedicated resources, identifying someone with the time, knowledge, experience, and expertise to effectively and quickly handle system changes can be difficult. In addition, it can also result in operational and compliance risks.

Maintenance often goes unaddressed when a dedicated administrator is not available. Enhancements made available by the software will also need to be monitored, considered, and implemented as needed. Accurate and thorough documentation of the changes and/or the process can be another serious pain point that must be sufficiently considered.

## Importance of Having a System Administrator

Once the implementation of a new system is complete, the institution's management may often feel that the system administrator role is no longer needed. This misconception typically leads to situations where multiple people make changes within the system without properly documenting them and without a holistic view. This will lead to a less-than-optimal system that will lead to substandard process efficiency. Opportunities to enhance the experience can also go unknown without a vigilant administrator. The most successful system administrators keep themselves aware of enhancements as well as consistently review operations for improvement opportunities.

A dedicated system administrator reduces risk, ensuring the system is configured in accordance with the characteristics of the process as well as all relevant and regulatory checks are performed properly. For example, most institutions introduce risk-based lending when implementing an LOS. Due to the intricacies of a risk-based lending approach, it is crucial that the administrator has full view of the system configuration. If applications are decisioned and priced based on certain relationships between configured products, any discrepancies arising from undocumented or inaccurate changes could have a direct effect on the overall risk and profitability of the financial institution.



Additionally, ensuring appropriate functionalities of the system are being utilized to the fullest extent is an extremely important responsibility of the system admin. A main goal of a LOS is to increase efficiency in the processes, but this requires certain knowledge and employment of system capabilities to accomplish. The system admin takes on the responsibility for these streamlined and optimized scenarios, and by default enhances the process from a customer, employee, and institution standpoint. The overall efficiency levels of the system can significantly impact volume and return on investment of the system, which is a key measure for institutions.

## MLX Consulting's System Administrator Solution: Admin Pro

Admin Pro allows financial institutions to leverage the MLX Consulting team when performing system administration duties for MeridianLink's LoansPQ LOS and XpressAccounts platform for deposit account opening and funding. Admin Pro helps existing clients accomplish the following goals:

- Review current configurations
- Provide expert recommendations
- Implement configuration changes
- Implement configurations for new products and modules
- Provide quarterly one-on-one reviews of system updates

The utilization of this solution will not only refresh and optimize an institution's current system configuration, but it will also allow for continuous improvement so the institution can leverage the system to its fullest extent. By maximizing the system capabilities, more efficiency in the origination process will also be realized, which in turn translates to more value generation and less risk.

## Conclusion

- The loan origination process and the account opening process are vital to the institution
- These processes are governed by complex software platforms that can drastically increase efficiency if configured effectively
- These platforms require consistent maintenance as well as complex changes at times to adapt new processes and new functionalities that may be beneficial to the institution
- Regular maintenance means these platforms require a dedicated system administrator to be leveraged to their full potential
- Institutions often do not have the budget for internal staff to cover the system administrator role
- As a result, the efficiency of IT platforms and the processes they manage are negatively affected
- The MLX Consulting Admin Pro service allows our clients to leverage a dedicated and experienced team of professionals to perform all of the crucial system administrator tasks within LoansPQ and XpressAccounts

Admin Pro allows the financial institution to:

- Save valuable time needed to configure or update products and workflows, allowing for:
  - A much smoother, more expedient, and more effective implementation focusing on UAT
  - A constantly up-to-date and optimized system
- Elimination of pain points in existing processes via advisory workshop calls
- Benefit from the individualized presentation of MeridianLink's quarterly What's New updates for various solutions. This individualized approach allows institutions to make better educated decisions about implementing changes relating to system configurations.

### About MeridianLink

MeridianLink connects all sizes of financial institutions and fintech companies to better technology, better service, better people and better solutions. MeridianLink transforms operating environments by solving complex problems with powerful yet practical solutions. The company's suite of products and services help maximize performance in key industry segments, such as direct, indirect and mortgage loan origination; deposit account opening; digital lending; credit reporting, data access and verification; business consulting; analytics, collections and scoring. Based in Costa Mesa, Calif., MeridianLink is passionate about democratizing financial services technology and data.