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Mortgage

Wholesaler launches business on 'application-to-secondary' system

Getting a new mortgage company off the ground is no easy task. There are relationships to build, a reputation to establish and a host of other challenges. But there are advantages, including starting with a clean technological slate.

A wholesale Alt-A mortgage banking company, ION Capital was founded early last year by **John D. Koch** and **Louis J. Torchio**. Based in Dublin, Ohio, the lender presently operates in Ohio, Indiana, Virginia and Pennsylvania.

Vice President **Cari Geyer** joined in the summer of 2005, when the lender was actively searching for a loan origination and processing system. She soon took over that project. The company knew it would have an advantage over competitors when it finally chose and rolled out a new mortgage system.

"A lot of our competitors are trying to roll from an old system, get one system to talk to

another or transfer all that data. We were able to pick a system where we could start from scratch and not worry about compatibility with an existing system," Geyer said.

The search

ION started reviewing products in July 2005. It went through three vendor presentations, considering costs and functionality. In particular, it wanted an application-to-secondary system, something it could use throughout the lending cycle. The ability to customize was also important.

"When you're starting from ground zero, you never know exactly which direction you're going to go next," Geyer said.

After reviewing other systems such as Metavante/GHR, it selected MortgageFlex Systems' LoanQuest in September 2005. The company activated the system in December and opened for business on the platform in April 2006.

IONIX unveiled

The company licensed the MortgageFlex Residential Lending System and Web Registration products. MortgageFlex customized the platform according to ION's specifications, which resulted in the company's "IONIX" platform. IONIX includes a Web portal and back-office system to support communication and transaction processing between ION's operations team, mortgage broker clients and secondary marketing staff.



All of its brokers are now using the system, which represents the only channel for ION to receive applications.

“You have a seamless transition from application to the back shop for the underwriting process and closing,” Geyer said. “That was important for us.”

Because information is exchanged in real time on the .NET-based system, remote employees on Web Registration can share the same database with the Residential Lending System. ION’s loan officers, which it calls “business development managers,” will soon be joined by other colleagues able to work from remote sites and calling on brokers.

Geyer said the technology has helped ION establish a strong start in the mortgage industry. “Being a new business, when you’re trying to brand yourself, it allows you to create more of a marketing impact to show something that is so streamlined and smooth,” she said.

MortgageFlex can be used to build a set of rules, but not to the point where brokers can type in scenarios and get pre-qualifications immediately with conditions for closing loans.

“What it will do is allow you to build rules based on specific criteria such as FICO, LTV, cash-out, document type, property type and property location so you don’t have a broker on the front end trying to pick a product when perhaps no such product exists for your company,” Geyer added.

ION will be headed down the automated underwriting path in the future, possibly integrating a DU application. “There are a lot of investors out there that, based on their normal underwriting criteria, might say, ‘No, we’re not going to take that deal,’” Geyer said, but if they see that DU accepts the loan, they might be more flexible. In addition, it wants to take advantage of the interfaces within MortgageFlex to integrate more third-party vendors such as document, fraud check, flood and credit providers.

ION maintains a programmer, who is working on a few custom issues. Most of the lender’s loan products are built in-house.

“Custom work we’ve had them involved with would be trying to add an automated underwriting system like Countrywide’s CLUES or Desktop Underwriter,” Geyer said.

Cut the paper

ION is now using digital loan files and hopes to go paperless eventually. However, management is realistic about the fact that many investors still want a paper file — something tangible — delivered to them.

“There’s definitely still some paper involved, but because we have a system that goes from the front side with the broker placing the application all the way down to secondary marketing, you don’t have people printing things and doing data entry on one side and switching to a different system for the processor and a different one for the underwriter,” Geyer said. “That cuts down on the possibility for errors and the paper.”

An eye toward outsourcing

ION also announced recently that FNC is automating its appraisal review process with its Generally Accepted Appraisal Rules. According to Geyer, ION uses third parties for various tasks such as fraud and compliance check. “This business is all about delivering the best products you can and not having anyone in default,” she said. “You want to make sure you do the right kind of checking, and I think those things are always going to be outsourced because there’s always someone who is the expert and leader in that field, and we’re not about to be that leader. We’re a mortgage business, not a fraud business. So I think there probably will be more relationships like (the one with FNC).”