



Boosting Productivity by Automating the Loan Origination Process

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Decline of Loan Activity at Mortgage Companies

- A major cause of the decline in loan activity at mortgage companies is their reliance on the private secondary market to fund the loans that they originated.
- Mortgage companies have traditionally operated in an “originate-to-distribute” mode. They do not have access to insured deposits to fund the loans so they sell them in the secondary market, either through securitization or the sale of whole loans, not from the interest earned on them.

The Decline of Loan Activity at Mortgage Companies (cont.)

- Mortgage companies became reliant on high volumes and high fees to sustain profitability.
- Mortgage companies do not require a great deal of capital or on-balance sheet funding sources, since they typically sell loans soon after origination.
- Beginning in the second half of 2006, many secondary sources of funding dried up, particularly for higher risk loans.

The Decline of Loan Activity at Mortgage Companies (cont.)

- The mortgage bank business model called for sales in the secondary market and mortgage banks had neither the sources of funding nor the capital to hold loans on their own balance sheets. As a result, there was a dramatic decline in lending in 2007 and 2008.
- These trends show a clear movement away from the originate-to-distribute model for RRE financing and toward an originate-to-hold model. Such a model clearly favors depository institutions over mortgage banks.

Recent Trends in Mortgage Loan Origination



- In the spring of 2010, the residential real estate market (RRE) is still dealing with rising foreclosures, falling home prices and declining sales.
- This has led to the collapse of several major lenders as well as many secondary markets for mortgage backed securities.
- There has been a shift away from the sales of mortgages in the private sector (***originate to distribute***) to a holding of loans by originators (***originate to hold***).

Can a Mortgage Company Prosper in This Environment?

Mortgage companies are facing numerous challenges in 2010

- The end of the housing tax credit
- The end of the Fed mortgage buying program
- Rising foreclosures





How Cornerstone Mortgage Is Beating the Trends

- Cornerstone Mortgage of Houston, Texas is thriving and growing in a very challenging market.
- Founded in February 1988, Cornerstone is a full-service mortgage lender, serving twelve states from 42 offices with more than 700 professionals.
- Since 2000, Cornerstone's originations have grown by 300 percent, to over \$2 billion annually.

How Cornerstone Mortgage Is Beating the Trends (cont.)

- Cornerstone is positioned as a “top loan producer support” business, rather than just a mortgage business.
- For the first six months of 2008, the average Cornerstone loan officer funded 8.2 first-lien home loans monthly.
- In 2007, Cornerstone’s profit was approximately nine basis points on loan volume. In 2008, profits increased to more than 20 basis points on loan volume.

Cornerstone's Responsible Lending Philosophy

- In 2009, 68 percent of Cornerstone's \$2.7 billion of residential loan fundings were referred by past loan customers. This allowed Cornerstone to avoid exposure to troubled areas such as sub-prime and adjustable-rate mortgages.



The Cornerstone Formula



- Cornerstone averages one underwriter for every six loan officers
- One secondary marketing product specialist for every 10 loan originators
- One public relations specialist for every 14 loan officers
- One information technology (IT) specialist for every 11 originators

Deploying Technology to Boost Productivity



- The mortgage platform provides desktop and online options, delivering flexible access to users from anywhere, using a secure Internet connection.
- The cornerstone of the company's technology platform is a state-of-the-art paperless loan process.
- The process employs FIS' imaging technology, which trims approval times as well as the handling and distribution of paper-filled loan files.

The Cornerstone Mortgage Formula

- Instant, automated access to the mortgage products and pricing for more than an industry-leading 12 national investors, provides homebuyers the lowest rate at the lowest cost.
- Support teams assist loan officers with database marketing, strategic referral relationships, prospecting, product knowledge, product placement for best execution, public relations and state-of-the-art technology systems.

Cornerstone's Technology Blueprint

- A single database that manages originating, processing, funding and closing – improves pipeline management, security and compliance
- A system that speeds up the entire lending process, and through imaging, makes it paperless – processing images at Internet speed
- Loan Origination Studio allows Cornerstone to choose the best available vendor partner from a lengthy list of service providers.

(Link to video)

Cornerstone's Technology Needs

- Loan officers need a customizable, Web-based application that can be accessed from any Internet connection
- One standard system for all loan officers
- A system that can handle the entire life of a loan (origination, processing and closing)
- A system that is scalable and can handle between (12 – 50,000) loans per year



Selecting FIS As a Technology Partner

- 2004 – Cornerstone selected FIS Lending Solutions for its mortgage platform.
- FIS provides an end-to-end system with integrated desktop and online versions.
- FIS Loan Origination Studio (LOS) provides user-friendly origination, processing, underwriting, closing and document imaging.
- FIS' online component automates net branches and provides sure access for remote employees, eliminating the need for time-consuming software upgrades and updates.

Selecting FIS As a Technology Partner

(continued)

- A loan origination system that matches the loan product with the customer's financial requirements
- Toolkit that helps Cornerstone customize and build interfaces with various third-party services, including Social Security Administration and MERS
- Built-in queues that allow loan officers to efficiently monitor which loans are ready to be underwritten and delivered
- Built-in model environment allows Cornerstone to quickly push regulation changes through
- Flexible technology allows Cornerstone to compete with large banks.



Cornerstone – FIS

Return on Investment

- Since building its closing system with the FIS Loan Origination Studio (LOS), Cornerstone is closing between 10 and 20 more loans per closer.
- Cornerstone was able to eliminate the need for two separate systems.
- The all-encompassing LOS platform enables Cornerstone to have direct interfaces with best-of-breed, third-party vendors for compliance, flood, fraud, SSA, etc.

Cornerstone Cost Savings

- Cornerstone is able to make and close a loan in the same day without the hefty expenses of overnight shipping of home loan documents, prior to TILA.
- Cornerstone has pared down at least 20 percent of the costs associated with loan production.
- Cornerstone realized a 60 percent monthly decline in paper and copy machine toner costs, and a 90 percent reduction in overnight delivery and mailing costs.

Summary

- Flexible technology and Internet access are now essential.
- Imaging saves thousands of dollars in expenses and significantly improves productivity. A paperless lending process is also better for the environment.
- Select a solution that you can customize to your advantage.

Q & A

- We welcome questions from our attendees.