



# Your Paperless Office & Your Originator Portal | Case Study

## DataTrac EDM - Electronic Document Manager & DataTrac Web

### Company

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- 360 Mortgage, an Austin, TX-based wholesale mortgage lender with \$700 million in 2009 volume is licensed in 18 states and planning to add 4 state licenses in early 2010. Launched in spring 2007 as a retail branch, direct-to-consumer model, 360 Mortgage shifted its business model in 2008 to wholesale as a response to evolving industry and regional conditions.

360 Mortgage expects to double its volume in 2010 as a wholesale lender.

### Challenge

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- With an eye and a taste for “contra strategy,” 360 Mortgage founding partners viewed the 2007 market collapse as a great opportunity to “go in when everybody was getting out” of the mortgage lending marketplace, according to managing director Mark Greco.
- As more wholesale lenders went out of business, and closed Austin local operations, creating a void for local underwriting, 360 “began dabbling” in wholesale business as a strategy to keep its underwriters busy and to increase the volume during its start up period. With a base of third party originators (TPOs) well known to the co-founders, the lender recognized its opportunity to increase profitability in wholesale and by the spring of 2008 committed exclusively to the wholesale model.

### Texas-based Wholesale Mortgage Lender increases production by 600%, 2008 to 2009, without adjusting 3-person back office staff

The decision to go wholesale proved to be a good one, and application volume skyrocketed. Within 60-days of hiring a new National Wholesale Sales Director, lending volume doubled – outpacing its projections far ahead of schedule. 360 Mortgage ended 2008 with an enviable operational bandwidth problem and the need to diversify its funding facilities during one of the industry’s lowest points.

360 Mortgage was faced with the task of converting a retail sales and operations model to a wholesale origination and risk management model.

DMD’s software has been instrumental in allowing 360 Mortgage to succeed in the slim margin TPO market.

### Solution

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360 Mortgage launched its retail, direct-to-consumer model on another technology platform. When its model converted to wholesale, and in part due to a co-founder’s previous experience at a high-volume mortgage banker, 360 selected the Del Mar DataTrac (DMD) mortgage lending process automation product suite.

As of mid-2008, the company’s technology platform includes the DMD DataTrac workflow management and database solution; its DocumentTrac paperless lending electronic document management product, recently renamed DataTrac EDM; and its originator pipeline management tool WebTrac, recently renamed DataTrac Web.



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### Results

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A \$700 million lender in 2009, 360 Mortgage operates a highly efficient back-office operation with only three people responsible for every post funding action on every loan. One staff person handles insurance, one manages shipping, and one handles purchase advisements and clearing investor conditions. Leveraging DataTrac's rules-based, zero-defect automated workflow platform, its lean staff turns a \$27 million warehouse facility with Texas Capital Bank three times monthly, extracting the highest value possible from its line.

In part due to the efficiencies demonstrated in operating its original line, in September, 2009, 360 Mortgage secured a new \$65 million line with Bank of America. According to COO Andrew Weiss-malik, DMD's DataTrac suite enables 360 Mortgage to generate maximum productivity from skilled back-office and fulfillment professionals, jumpstarting a powerful mid-volume wholesale lending operation with an agile and robust profit-protecting business model.

### Simplified Originator Interface

DMD worked with 360 Mortgage to modify its originator pipeline management tool for increased simplicity, reducing the broker interaction to three steps in underwriting: capturing the borrower's vital statistics in an electronic data format; transmitting the details of the transaction, including electronic documents; and entering their own contact information. These three steps, executed online through a single web page, create a simplified secure broker interface - everything with a 128 bit SSL encryption, the highest standard that 360 can push out to its brokers while remaining compatible with their systems. All 360 Mortgage correspondences with its brokers are encrypted.

### Remote Underwriting

DMD's web-based technology tools are allowing 360 Mortgage operations to remain centralized in Austin while empowering underwriting to occur all over the country by individuals working out of their homes. Remote underwriters require no supervision since their pipeline is pushed out to them from headquarters, and their productivity is monitored based on how they move through that pipeline. Underwriter risk assessments are managed through a third party service provider who audits files post closing.

360 Mortgage credits its investment in DMD software with allowing its operations model to strengthen and support its desired business model. Using DataTrac to do all the electronic underwriting, everyone that works out of their home has the same PC set up as in the office: two monitors and a desktop unit; they underwrite electronically working with DataTrac on one monitor and the electronic loan file in DataTrac EDM on the other.



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### Results *continued*

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#### **Going Paperless**

Using DMD, the entire submission and underwriting process by a broker to 360 Mortgage is paperless, to which 360 adds its own scanned credit package, so that from the start there is no paper involved in its loan files. Through DataTrac EDM, 360 underwriters issue electronic dispositions, and have the ability to apply an underwriter's signature image, if necessary, on their dispositions so the only thing that must have a blue signature is the HUD 92900 for insuring.

Paper does enter the process after the borrower signs, however, since 360 Mortgage does not yet accept electronic signatures on closing documents. The original signed paper closing package goes to the sole 360 Mortgage shipper, who scans it into DataTrac EDM which then marries the closing package to the credit file.

#### **Custom Interface Toolkit**

360 Mortgage's development team also leveraged DMD's programming toolkit (called TracTools) to create Express – a collection of custom interfaces for various departments. Because the Express engine talks directly to DataTrac, they could retain one single database of record.

360's shipper, for example uses Express to prioritize which files to work on, and notifies the shipper when and where to ship each file. She keeps one of her monitors focused on Express, and the other monitor on DataTrac EDM. Since 360's capital markets team is selling mortgage-backed securities, they may want to hold a loan until it is pooled with similar loans. So, the shipper simply ignores the complete package until Express identifies a destination and alerts her that it is ready to go. Three mouse clicks later the file electronically ships to the investor: credit and closing package ready for purchase.

#### **Regulatory Relief**

Further, with its DMD platform and tools, 360 Mortgage is better equipped to meet regulatory challenges currently hounding brokers. According to Greco, a great example of 360 Mortgage's ability to innovate on the fly is its response to the TILA provision enacted in 2009, the mortgage disclosure improvement act (MDIA), which had the potential to have a negative impact on the wholesale community. Suddenly the truth-in-lending disclosures brokers had been disclosing were meaningless since the act called for the creditor to provide the TIL disclosure. This created an operational issue by not allowing the creditor to rely on the broker's TIL disclosure.



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### Results *continued*

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Utilizing DMD's DataTrac Web with 360's own custom Express software, 360 Mortgage brokers were given the ability to generate a TIL in 360's name on its website. Through a sophisticated tracking engine 360 could then adhere to all the MDIA requirements while staying in compliance with TILA and RESPA. This unique system is one of the many tools that 360 employs to work in collaboration with DMD's software to create a streamlined, market-leading, interface.

### Fatter Margins

DMD's software has been instrumental in allowing 360 Mortgage to succeed in the slim margin TPO market. To manage the high risk TPO is perceived to have, 360 converts a wholesale loan into a retail loan. 360 Mortgage reprocesses the entire broker-submitted loan with more fraud verification for checks and due diligence than most retail shops. Both its investors and warehouse line facilities frequently commend the 360 Mortgage due diligence process.

With licenses in, or pending in, more than 20 states and close to \$100 million in warehouse line capacity 360 Mortgage plans to double its volume in 2010 to \$1.4 billion. According to COO Andrew Weiss-malik, the DMD DataTrac platform and operations supporting tools, along with its custom Express interface, have played a major role in the lender's success to date.



### About DMD Inc.

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Founded in 1991, Del Mar DataTrac (DMD) is the leading provider of affordable loan automation solutions for mortgage lenders, banks, and credit unions. DMD offers a scalable workflow platform that enables lending best practices by leveraging DataTrac as the back-office hub along with a sophisticated point-of-sale system, a web-based originator portal, and a management dashboard – all in a paperless environment. The DataTrac Suite is designed by mortgage lenders for mortgage lenders who strive to deliver extraordinary customer service, increase production and profitability, reduce risk, and streamline overall efficiency.