



Preparing for the Future Market Environment

Starting fresh with both an open platform and best-of-breed integrations is the way to go.

STONEWATER MORTGAGE CORP. ENTERED THE MORTGAGE arena recently as one of the first mortgage bankers of national scope to emerge since the secondary market launched the industry into a tailspin nearly 12 months ago.

Many of the key individuals at StoneWater were with the former First Magnus Financial Corp. that was abruptly sidelined by the near collapse of the secondary mortgage market last August. During the preceding decade, however, First Magnus had grown to become the largest privately held mortgage company in the U.S. and a top 15 lender.

We entered the mortgage industry in 1996 [as First Magnus] with only 12 employees. We were relatively young and had the advantage of entering the market

at what was essentially the beginning of the technological evolution of the mortgage industry. We knew early on that technology was going to emerge very rapidly throughout the industry and we set out to turn that into an advantage. We had the benefit of being a startup with no legacy system issues and made an early commitment to build our own platform with an in-house software development staff.

We also made the commitment to leverage the benefits of the Internet by building an entirely Web-based mortgage banking platform to create efficiencies within our operations rather than using it to drive traffic as many were attempting to do at that time. As our footprint and our volume grew and new functionality began to emerge in the marketplace, our staff of business analysts and software developers also grew in order to support our growth and our platform. The team also grew into what we believe to be some of the sharpest analysts and developers in the mortgage space.

When the team became displaced with the closure of First Magnus, it quickly became clear that an opportunity had presented itself for the key members of the team to take all that they had learned over the last 10 years and apply it to the creation of a new mortgage banking platform for a new company in the new mortgage banking environment. With that notion in mind, we took the opportunity to design and build what we believed would be the optimum technology platform for the new market environment.

The result was H2Online, StoneWater's new proprietary mortgage banking platform that was unveiled to the broker community in a few select markets last



month. In the vastly different market of today, we decided to take a different strategic approach than we had in the past. With StoneWater, we had a much better understanding of what it would take to build and support a national platform than we did when there were just 12 of us entering the market at the very beginning of the technological advancement of the mortgage industry. We also had the advantage of building a platform with all the latest technologies, again, with no legacy issues to contend with, and without the "burden" of supporting extremely high levels of volume at the same time.

As we saw it, the optimum platform to succeed in today's market and into the future would be one that would focus on the facilitation of cost and operational efficiencies in order to be profitable and price competitive in today's environment while providing the highest levels of service possible. It would also need to enable us to tightly manage risk and the growing complexities of the compliance and regulatory environments. The now standard origination tools that have become widely adopted over the past few years would also be a must, including product finder type functionality and a pricing engine with online locking and loan tracking capabilities.

Armed with a clear set of objectives and a very good technical understanding of each component of a successful mortgage banking software platform, StoneWater had the opportunity to explore the possibility of leveraging the expertise and the latest advancements of some of the top technology vendors in their respective fields to supplement our efforts while we focused on building a platform to meet our specific objectives. With our primary focus on process and operational efficiencies, our experienced team of business analysts and software developers looked at a number of the industry leading software and technolo-

gy vendors to determine which, if any, had the expertise and the flexibility to meet our needs and our expectations. After conducting extensive research and due diligence, we identified four main areas along the mortgage banking software continuum that we felt confident in outsourcing to the leaders in each of their respective fields.

One of the key vendors we chose to partner with was Los Angeles-based MDA MindBox Inc. for its "best-fit" product search, pricing engine and automated underwriting functionality. A proven leader in their field, MindBox's technology is also a key component of Countrywide's CLUES system and several other industry leading platforms. Having put considerable resources into building these components ourselves in the past, we were able to work with the MindBox team to leverage their

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expertise to seamlessly integrate their systems into H2Online.

Other key vendors we selected include Santa Ana, Calif.-based First American Core Logic for its system of fraud detection and collateral risk mitigation, and Irvine, Calif.-based Mavent Inc. for its automated regulatory compliance solutions. And finally, we chose Lakewood, Colo.-based Guardian Mortgage Documents Inc., to be a part of our fully automated document generation and disclosure system.

Our integration with Guardian uses Web services to leverage seamless data transfer into their system for fully automated loan document generation. Guardian also developed a custom integration with Mavent to provide automated regulatory compliance for all of our loan products to help maintain

the level of quality control that has become critically important today.

By integrating some of the best-of-breed solutions that have been developed by proven industry leaders into our technology platform, we were able to leverage the core competencies of proven domain experts, which allowed our team to focus on building the most efficient workflow processes. The result is a user-friendly end-to-end mortgage banking solution with all the tools necessary for an originator to compete in today's environment and all of our compliance, regulatory and risk management objectives met.

And finally, H2Online has been built on an extremely sophisticated paperless workflow platform. By using an electronic file management and document imaging system along with a robust workflow engine, we can facilitate

people working simultaneously on our loans in an highly efficient manner while ensuring accuracy, completeness and standardization. H2Online is supported by a sophisticated, industry-leading technology platform that will support StoneWater's growth in the new market environment while enabling the highest levels of customer service and turn times possible. **MT**

Karl E.W. Young is the president of StoneWater Mortgage Corp based in Tucson, Ariz. StoneWater entered the wholesale lending arena in July 2008, and plans to be lending in all 50 states through wholesale production offices in 34 major metropolitan markets by this time next year. Their retail channel will evolve in select markets in parallel. StoneWater can be found on the Web at StoneWaterMortgage.com or StoneH2O.com.