

Leading Mortgage Bank

When your objective is growth, but that is jeopardized by a data foundation that is too rigid to support it, what do you do? This banker called on a horse he'd ridden to the winner's circle before and won again.



PROBLEM

In 2008, a time of turmoil in mortgage markets, the home mortgage division of a major US bank was poised to exploit a void left by rivals that had over-committed to subprime loans. As the bank wanted to become one of the top ten in the home mortgage business, the market dynamic represented a potential windfall and accelerator to meet that objective.

But the Division was in the midst of a three-year project to replace an aging loan origination system and was encountering problems bringing data together from multiple sources to optimally price, underwrite and manage loans while the market opportunity was at its peak.

The bank also found itself struggling with strategic planning and regulatory reporting. Information to plan, run and manage the business was distributed across a range of systems and applications without a consolidated view to assist with decision making. Similarly, responding to reporting requirements from Treasury, the Office of Currency Comptroller (OCC), FDIC and the bank's own auditors was hindered by information dating back ten years and spread over nearly a dozen systems.

With Basel III requirements slated to begin phasing in at the beginning of 2014, the bank anticipated growth opportunities as weak balance sheets forced competitors to rationalize their portfolios. Bank executives wanted to be in a position to capitalize. The Division's Senior Vice President summed up his twin dilemmas. "We needed to move to a single source of the truth to respond to both regulators' requests and the changing business environment."

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SENIOR VICE PRESIDENT
Home Mortgage Division

Leading Mortgage Bank

SOLUTION

As the team evaluated its challenges the end game was clear. It needed to improve both visibility to integrated data and velocity for its business people and their tools. It needed to migrate to lower cost, cloud based applications to improve bottom line performance. And it needed to do this without disruption to the operational productivity of its Loan Origination or Loan Servicing processes, the Division's lifeblood.

Despite growing loan volume and a need to update to more efficient systems, any move to a more effective platform was obstructed by a long-used, rigid system of numeric product codes on which the existing software interfaces were based. The Division could not jettison the old codes, because its veteran employees were accustomed to communicating with these cryptic labels.

The IT group realized it would have to update every interface involved in the implementation of a new origination system, and many of these interfaces are used by multiple other systems. "We wanted more descriptive code labels for the new systems, but when we evaluated what we'd need to update the interfaces, it would have been unbelievably expensive. It was out of the question." With its business objectives in mind the bank searched for a solution that would provide:

- ▶ A way to quickly establish a departmental data warehouse to support its reporting, provide much higher transparency and make information available rapidly for analytics and reporting
- ▶ Cost effective support for its transition to newer, highly efficient systems
- ▶ Ease of migration for nearly 1,500 reports to the new operating platform

The team knew it had to find a solution that would allow legacy and emerging environments to coexist and that would enable rapid evolution as business dynamics dictated. They knew time was an issue. Several members of the staff had previously used the Kalido Information Engine and knew that it gave them the best chance to meet timeline and business objectives. The Division selected Kalido.

RESULT

Getting into position to exploit transient opportunities was critical, and the team leader knew that delivering rapid time-to-value was an initial benefit of the Kalido Information Engine. But he also knew that delivering incremental business value over time was equally critical and that each increment required a new iteration of the warehouse. He correctly assumed that Kalido's model-driven architecture and extensive use of automation delivered both time-to-value against initial requirements and rapid cycle time on each iteration as requirements evolved.

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The Division needed to replace a very old mainframe system which had required and propagated an entrenched system of approximately one thousand products and activities codes. Dating back decades, these codes were used across all the Bank's software application interfaces. Kalido quickly became the enabler of transition to new systems. The team found that data harmonization capabilities in the Kalido Information Engine would allow multiple codes to be supported and transitioned over time. Loan processors could use codes with which they were most familiar with the system resolving them automatically for consumption by the applications.

The bank's Kalido team of five worked on the data warehousing activities, master data, and reporting. Eventually three teams will evolve to support the areas of loan origination, servicing, and product support. The Kalido warehouse draws on 11 data sources, mostly loan origination systems with the Division, plus a human resources system to drive its sales hierarchy, and accounting and general ledger applications. The Division also pulls in and queries data on loan servicing from an outside bureau. This information—on payments, late payments, escrow, and mortgage insurance—belongs to third parties. The environment can be dynamic, and the ability to quickly adapt is a key to success.

Since going live with Kalido—in 90 days, by the way—the Division has delivered more than a dozen iterations of the warehouse, fulfilling a wide variety of user requests. From an initial cycle time of three months, the team now delivers an iteration in six weeks with a goal of achieving four-week turnaround, still without increasing the size of the team.

Top Line Improvements

The Division has tripled loan volume and surpassed its own goal by breaking into the Top Five lenders in the home loan business. "We would never have been able to triple our loan volume without Kalido as a foundation.

Sustainable Cost Reduction

The Bank credits Kalido MDM with enabling faster migration to new product codes, which in turn enables quick utilization of new, lower cost systems. One new system coming online—that will rely on the code translation enabled by Kalido—has brought immediate cost savings that will only increase over time.

Rapid Time-to-Value

Within three months, the project team delivered its first operational version of the data warehouse, with an executive dashboard that provided new metrics on loan volume. "Our legacy loan origination system was a black box that gave no insights, so this was major value to add," said the Division executive responsible for the project.

Leading Mortgage Bank

Accelerated Business Responsiveness

As business requirements have evolved, the team has delivered over a dozen iterations of the warehouse since inception. From an initial cycle time of three months, iterations are now delivered in six weeks with an ultimate target of four. The pace of business transformation is directly and positively impacted.

New Found Competitive Advantage

Data integration across silos has enabled the Division to establish metric-driven scorecards for its customers in the secondary mortgage market and help measure profitability and set performance goals. "These scorecards are a competitive advantage for us," said the Senior VP, "We look back two years, for a mix of perspective and current evaluation."

Better Business Predictability

Business decisions can now be made proactively rather than reactively as was the practice in the past. In particular, better visibility has enabled many to improve operational efficiency, embracing pipeline management and effectively balancing resource requests with expected demand.

Small Staff Delivering Huge Results

A team of 5 meets the needs of nearly 7,000 employees of the Division—which processes about 70,000 loans every month. More importantly, the Mortgage Division is now the bank's most profitable. And most impressive, the bank eclipsed its target of breaking into the top ten list becoming one of the Top 5 home mortgage processors in North America.

Tapping Power Users to Build Self-Service Freedom

Throughout the Division, power users come directly to the Kalido internal group to see what analytics and reports are available. "Today, every business line in the Mortgage Division has a power user and everyone is using the warehouse. The power users make excellent internal partners, so we work with them to zero in on them and their report needs."



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