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## LEAD STORY

# Cloud Computing Helps Lenders Look Up Instead Of Down

By Anthony Garritano

The latest technology buzzword making the rounds these days, at least among vendors, is cloud computing. The question circling among most industry onlookers is how cloud computing can actually help lenders be more efficient in a down market.

Stoking this talk is a plethora of moves by technology vendors to tout that their application is now available on the cloud. The most recent vendor to take this approach is loan origination vendor Dorado Corp.

"Dorado has a cloud that supports the lending process from lead to funded loan," said David Parker, vice president of business development at Dorado. "This allows us to deliver the most robust cloud in the mortgage industry when you consider that it includes e-disclosures, e-mortgage, e-vaulting and over 500 connections. That's a very attractive offering."

Specifically, Dorado has been granted worldwide, perpetual, irrevocable, exclusive rights from the First American Corp. for First American's Web services and e-lending technology. Dorado will combine First American's technology with its own transaction processing technology and enterprise operations to create a cloud computing based system that does mortgage and consumer lending.

The new cloud lending transaction platform will enable financial institutions to access key data and analytics from third parties and perform analyses that can be bundled with loan information to ensure compliance, data quality and process transparency.

The technology First American is now licensing out to Dorado is technology that First American acquired from Fannie Mae. At present First American has an undisclosed financial stake in Dorado and has the right to acquire an even larger financial stake in Dorado in the future as part of this arrangement. "What we acquired from Fannie Mae can be described as nuts and bolts," noted Jerry Hoerauf, executive vice president, business development at First American. "We have put it all together.



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Fannie spent a lot of time and money on conceptual workflows and architecture, but it wasn't in a working state.

"Those technology assets were part of a group that included our Web services platform. We were building it out as a portal for third parties to access First America. We are a product company so we thought we'd keep the technology for internal use and give the rest to a technology provider that can take it to market. We felt Dorado would be the best party to commercialize the products.

"Over the course of the last couple of years we had conversations with other companies," continued Hoerauf. "We do

have a financial stake in Dorado. We think this type of technology is still in the early adoption phase. There has been a lot of activity, but if you look over the past five years people were pedaling as fast as they could on the bike they had. They didn't have time to get on a better bike. Now we feel the timing is right."

Making what Dorado is doing compelling is the notion that this move to enable lenders to originate an entire loan from point-of-sale to closing over the cloud may be because Chase, Dorado's largest client, is looking to move into the e-mortgage arena using this new technology approach. "It's interesting that First American

finally found a home for the Fannie Mae e-mortgage platform,” said Tim Anderson, president at process automation vendor SigniaDocs.

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“Dorado is their leading technology incubator. I think Chase is motivating this. There have been rumors that they are interested in e-signing and Dorado would be their partner in doing this. If that’s true, and Chase moves forward, that would be huge for the industry. We need a big player to get in the e-mortgage space.”

Chase did not return calls by press time clarifying its e-mortgage strategy. Dorado’s Parker added, “We have customers today that want to make sure we can support where they want to go in the future. If they want to go there sooner these capabilities are there for them. We have clients that we’re actively talking with, as well.

“We don’t have a target market for the technology. Lots of times these more robust capabilities are attractive to larger lenders, though. They’ll look to push this down to facilitate commerce. It’s still early. You have to have the capability ahead of the demand. That’s what we have here.

“Another piece that I think is critical,” continued Parker, “is that we support vaulting and the secure record concept. When you look at services like verification of assets and employment, lenders want to push that to the point-of-sale. We help lenders gain access to these trusted data vaults over the cloud.”

But will cloud computing turn out to be a lasting trend? Gabe Minton, chief strategy officer at business intelligence vendor Motivity Solutions, thinks it has merit. “Cloud computing in general is successful. Salesforce.com and Google are good examples of cloud computing. Why? You can get everything you need over the cloud. What’s attractive about cloud computing is that it’s infinitely scalable.

“Mortgage banks typically are in crunch mode at the end of the month. So, during that time there’s more demand on systems. Instead of buying more servers to accommodate that demand, lenders don’t need to worry about that because the cloud will scale and reallocate resources to the department that needs those resources at that time.”

Cloud computing heralds an evolution of business that is no less influential than e-business, according to Gartner Inc. Gartner maintains that the very confusion and contradiction that surrounds the term “cloud computing” signifies its potential to change the status quo in the IT market. Gartner defines cloud computing as a style of computing where massively scalable IT-related capabilities are provided “as a service” using Internet technologies to multiple external customers.

While it’s easy to tout the advantages of cloud computing in the mortgage space, Minton warns that cloud computing has drawbacks as well. “There are some challenges. Is the cloud secure? Google, for example, doesn’t have security to host sensitive mortgage data. Typically you’d have a SAS 70 Type II certification to prove that you can secure sensitive data. Dorado is SAS 70 Type II certified so I’m sure they’re using that to tout that their cloud is secure and scalable.

“The cloud concept decouples the applications from the hardware. With the cloud you don’t have to worry about IT, but you are beholden to the vendor. With an e-mortgage, if you’re doing e-disclosures and e-notes and e-vaulting in a SAS 70 environment, I don’t see why they can’t be done over the cloud.”

Dorado aside, other vendors like Motivity Solutions, Xerox Mortgage Services and others offer similar services over the cloud along with SAS 70 Type III certification. “To me, cloud is about reinventing old technology models,” said Minton. “Cloud is the new buzzword just like ASP was when the Web started.

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“The software industry reinvents itself every 10 years so people will buy a new product. Before cloud it was all about Web services. Web services took ASP to the next level by enabling you to transmit XML data back and forth to conduct business. Cloud builds on Web services to allow you to decouple applications from hardware.

“There’s interest among lenders not to handle hardware and IT in this very challenging market,” concluded Minton. “That’s popular and it has staying power, but I wouldn’t be surprised if there isn’t another concept talked about that draws on cloud computing or something else down the road.”

