

## Q/A with Dain Ehring of Dorado

(In part one of a two-part interview, **Dain Ehring**, CEO and founder of **Dorado**, San Mateo, Calif., discusses software-as-a-service as it pertains to mortgage banking and its role in today's economic environment.)

**MBA Tech NewsLink:** *We are in difficult economic times, there is talk of financial institutions cutting IT spending. What are you seeing as far as mortgage bankers using technology and where or what are they applying their IT money for even though they are cutting back?*

**Dain Ehring:** It's all financial services but, for this market, in the next two years, there is no new spend on IT. It is only a reduction and whatever money they have, they are spending on maintenance. This is why, for us, our [software-as-a-service] model is very important because there is no new spend. We are basically replacing the existing spending that we are doing because we are an on-demand or per transaction space.

Nobody is going to go get another \$10 million or \$20 million to do a new project that is not going to get deployed until 2010, but they are using models, like the SaaS model to, again, reduce costs, integrate companies they just bought, to do FHA and to do bulk management. We are talking to a lot of customers or lenders to do fraud detection—fraud case management.

**Tech NewsLink:** *There is a lot of talk about SaaS. Is this something new to the industry, and is this something we are going to see for years to come?*

**Dain Ehring:** My background, coming out of **IBM**, **Sun Microsystems**, **NexComputers**—that was **Steve Jobs'** company when he left and brought it back into **Apple**—that's my background. I have a very long history of Silicon Valley software. And I clearly believe, and most of the people I talk to in the industry believe, that software is going to deliver only to a SaaS model. There is just no reason to deliver any other way. As soon as you can put the software on a CD or DVD and send it out, it's obsolete.

There is no real reason to have software and think they should own that software because that software does not have any intrinsic value. It's just additional content.

**MBA Tech NewsLink:** *So you're saying that software is a short-term fix? The software eventually needs to change every few years or even less than that?*

**Dain Ehring:** Yes. The early technology only teaches so much. That's why the SaaS model is gaining so much speed—because you just can't keep up. As soon as you buy something, it's obsolete. So, [SaaS] is a fast model, you're always getting the latest and greatest and you're getting something that has a very quick ROI [return on investment] to get it. Even as you look at finance, traditionally, the past software-as-a-service has been very hard to extend or to customize. Now, that barrier has gone away.

**MBA Tech NewsLink:** *Why is that?*

**Dain Ehring:** Because of SOA [**Service-Oriented Architecture**], for example. It's an architecture. It doesn't cost any money. It's not a product. It's a widely-adopted methodology, It's a way of doing things—like web services or XML [extensible markup language]. It's a standard—like a USB cord. It's a way of using SaaS. It is not something that is just going to come and go. It is a metaphor of how to make things happen.

The more interesting occurrence on the Internet is the transition from **Web 1.0** to **Web 2.0** to now **Web 3.0**. Let me paint an analogy for you. If Web 1.0 is about reading information—getting on a web browser and reading information. Web 2.0 is about reading and writing information, using social networking and having users with the ability input their information and create something like Wikipedia.

Web 3.0 is about executing—it's about all those things, reading information, writing information and then executing programs and executing applications. Web 3.0 becomes the platform of where a company is going to execute their systems.

**MBA Tech NewsLink:** *When you refer to execution, what do you mean by that?*

**Dain Ehring:** People used to buy **Microsoft Word** and execute it on their personal computer, a main frame prior to that. Now, they execute it on the Internet cloud. Many things done on Microsoft Word are probably executed on an Internet

platform. The Internet comes into play if you are going to actually run your application through your systems. Then, that obviously breeds a software-as-a-service model with an instant bond there, and I don't have that huge capital expense—a \$10 million or \$20 million capital expense.

The reason these technologies are getting traction is because they are cheaper and they're faster. I mean, not just a little cheaper but much, much cheaper and really, really faster—years faster than it takes to get a system up. And, mostly without risk. If you look at most enterprise systems—LOS systems—there is usually a 40 percent success rate to plug those systems in. All of that goes away.

*The second part of this two-part interview continues in the **Feb. 3** edition of **MBA Tech NewsLink**.*