



SaaS Advantages Win Out

While some vendors that don't offer a Software as a Service option may be looking to discount this technology, SaaS is **the model of the future.**

LENDERS CONSIDERING THE MOVE TO A SAAS-BASED LOS inevitably hear at some point that while SaaS delivers value in the form of lower costs, scalability, quick implementation and reduced maintenance, those benefits have trade-offs.

Legacy-based competitors and on occasion uninformed lender IT staff claim that data security and access may be at risk. However, the facts clearly support that SaaS is the future of technology because of better security and data access. Since the lender's loan data and imaged documents are stored "off-site," detractors claim the lender is completely dependent on the vendor to keep its data safe, secure and accessible. Relying on any one company to that extent is unwise. It's a valid point, and yet banks, credit unions and mortgage bankers alike are implementing the SaaS-based LOS with increasing frequency. So the question is "Why?"

The general answer goes straight to a core benefit of SaaS, which is increased computing power and functionality at a much lower cost than is possible with traditional software purchase and deployment models. Most of the attention on this core benefit is focused on the bottom line, as lenders see the potential savings from faster implementation times, "pay-by-funded-loan" pricing models and eliminated seat license fees and maintenance fees. In short, a vendor specializing in hosting and safeguarding sensitive data for multiple customers can do so better and more cost effectively than a typical mortgage lender. Of course, not all SaaS-based platforms are the same, which is why responsible lenders should carefully consider distinctions between different SaaS LOS providers. A hosted solution must demonstrate that the following contingencies are in place:

- Redundant power and Internet—servers should have multiple physical contact points to the power grid, and multiple active ISPs so when one goes down there is no interruption of business.
- High-end back-up generators specifically designed for data centers.
- Managed switches and load-balanced servers—this identifies the least busy server at any given time, and makes it a nonissue when a machine goes down.
- Redundant data centers—all of these safeguards should be replicated at a second physical location, with servers ready to go should the first one go down as a result of some type of disaster.

Very few lenders have the budget, or the expertise, to build and maintain an infrastructure as described above. This supposed drawback of a totally hosted LOS is actually yet another benefit when realistically compared to the alternative.



Vendors committed to the hosted model face understandable scrutiny from prospective customers about ownership of proprietary data, including imaged documents and source code. After all, it's not hard to imagine a vendor of hosted data going out of business and leaving its customers in a compromised position. Lenders that insist on the following measures will never be in that position:

- Third-party source escrow to provide access to the application should the vendor go out of business.
- Real-time access to secure third party data storage.
- A highly detailed disaster recovery/business resumption plan, and third-party testing of data recovery from backed up data, images and LOS code.
- Third party SAS-70 audits of DR/BR policies, procedures and testing.
- The ability to read and/or write to LOS database through Web services and or ADO drivers.
- The ability to securely export data and imaged files to local storage.

When a lender seriously considering a SaaS LOS learns the extent to which independent third party companies are involved to minimize reliance on one vendor, it begins to understand that where the servers are located isn't as important as accounting for all possible oversights and contingencies. Once again, the question becomes: How many lenders have the budget, expertise, and singular focus to take these kinds of measures on their own?

A major component of a successful long-term relationship between a lender and the provider of a hosted LOS is called a service-level agreement. An SLA provides the necessary quantification for system availability, service responses and issue resolutions. The agreement identifies the

requirements for support, system access, and development services with definitions for how support will be provided based on the severity and type of issue. The SLA also spells out specific guidelines for compensation to the lender should the vendor fall short of the stated standards, which ensures that all promises during the sales process are honored. Lenders that opt for "pay-by-funded-loan" pricing enjoy another benefit, as it ties lender success directly to vendor payment.

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However, detractors see this flexible pricing model as a downside of accessing an LOS platform as a service rather than purchasing it outright. Some have oversimplified this choice by using the analogy of leasing vs. owning a car, but there are numerous flaws with that comparison. If a car maker could somehow remotely repair a leased car as it sat in the customer's driveway, and also automatically install all new features and safety fixes for that model in the same fashion the instant they are available, and charge the customer only for times the car is used, the analogy would be closer to accurate.

Another area where questions are raised about a SaaS-based LOS is the issue of data access. The primary concern is that SaaS vendors that host applications and data for multiple customers on the same database might accidentally mix different customers' data together or expose sensitive information to the wrong party. This is not the case, as each customer can and should have its own instance of the database. Even though application code is shared among customers, databases are kept completely separ-

rate. And a SaaS delivery model lends itself particularly well to data management, providing a host of added security and data access features:

- User access right down to the field level is defined by security profiles.
- All fields are available for reporting purposes real time without requiring a developer for access.
- Ability to export data in FNMA 3.2 and MISMO AUS formats in single loan or batch process.
- Manual export in ASCII, comma delimited, dBase, paradox, XLS.
- Scheduled batch export in ASCII, comma delimited, dBase, paradox, XLS.
- Integrated dashboard, analytics, and KPI reporting services.
- ADO drivers (providing the ability to connect reporting applications to real-time data).
- Web services (provides the ability to connect third party applications with secure read/write capability to real time data).

Ironically, it is during the part of a lender's due diligence where it researches the supposed drawbacks of the hosted approach that it discovers the lesser-publicized advantages. Security, data access and regulatory compliance are all managed better in a SaaS-based system, and the value gap is only getting wider. In today's market lenders expect more. Detailed due diligence clearly proves that Web-based SaaS is here today and positioned as the future of lending technology. **MT**

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