



MORTGAGE TECHNOLOGY



LENDERS VIEWS | by Wayne Bond

Accounting in Lending

By upgrading **accounting technology**, a lender in Arizona created new opportunities to grow its business and track loan-level profitability.

ON THE OUTSIDE, IT MIGHT NOT SEEM LIKE your accounting process has much effect one way or the other on your lending business. You get paid, you pay your bills and you make a profit in the end—right?

been in high demand in the current economy, and as a result, our volume more than doubled over the past 24 months. Although the growth was welcome, it was quite a shock to our internal systems.

In order to better track our finances, we needed an accounting system that would allow us to take a closer look at our profitability per loan.

At the time, we were using a generic accounting system that did not provide the details, tracking and integration capabilities needed to operate within a mortgage setting.

This resulted in a significant amount of time being spent on pivotal tasks such as the data entry of loan fundings and Ginnie

Mae pool settlements, as well as recording and tracking construction draws.

As we began to handle additional volume, we looked at our options for a more suitable accounting system. We could either spend money making major modifications to a QuickBooks-style software, or build a platform in-house from the ground up.

Either tactic would require a significant investment that was not guaranteed to fulfill our company's needs.

After a few demos with Advantage

Systems out of Irvine Calif., we knew we had our answer with their Accounting for Mortgage Bankers product. This was the first system we had come across that could not only provide us with true loan-level detail, but would also integrate effortlessly with our existing technology. We could now take advantage of technology products we had already invested in, while also improving our accounting operations. No more individual journal entries. No more rekeying data. No more wasted time.

After switching accounting systems about two years ago, I now know three qualities a lender should require of this piece of technology.

First off, it should complement the enterprise-wide systems you have already invested in, such as your LOS and back-end solutions. Under our previous accounting system, each journal entry had to be entered individually. Journal entries are now compiled directly from information in those systems and imported to AMB.

We chose our LOS and back-end systems in order to have the proper checks and balances in place for our mortgage banking operations. In today's regulatory environment, there's no room for error—documents must adhere to strict guidelines, borrowers must be communicated with in a certain way and fees must meet mandated thresholds.

PERSPECTIVES



At Cascade Financial Services, we found that very wrong. Just as technology and automation is imperative in other areas of lending, like origination and compliance programs, it is also vital in managing the financial health of your business.

Cascade is a small lender based in Mesa, Ariz., averaging around \$12 million in volume per month. For the past 10 years, we have focused on providing FHA loans in the manufactured and modular home industry, creating our niche in the affordable housing market. Affordable housing has

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Compliance was managed upfront by existing technology, but by using separate data entry for our accounting system, we could mistakenly undo all of that in our reporting.

Each file that was re-entered ran the risk of a mistyped number or skipped data field. In that case, it could take us a month to realize we had not been properly reimbursed for an appraisal fee or that a borrower had overpaid and we owed them the difference from their trust account.

In addition, by using paper-based manual entry, an error would take hours of research to correct as someone sifted through files.

By automating data import into the accounting system, we extinguish those possibilities because any imbalances are kicked out at import and the incorrect file is tagged, making it easy to find and correct.

The second quality needed in an accounting system is the ability to track loan-level detail. There is no other way to accurately and reliably manage your operation's finances.

Previously, we could only create a generic profit and loss report, showing how we performed during the month overall. Loan-level statistics allow us to see the types of loans that perform best for us, in what areas specific loan originators have strengths and weaknesses in and any discrepancies with third-party fees.

With these systems working in agreement, we are able to improve accounting

practices and be assured they are accurate.

We are also able to scan invoices and other transaction documents into the system and they are automatically attached to the loan file where they belong. Not

only does this place all of the supporting information in one easy-to-locate spot, but it drastically cuts down on the storage space required in our office.

With each loan treated individually, audits are no longer a nail-biter as we are able to open the requested loan file in AMB and all needed receipts and supporting documents are right there on the screen, not potentially lost in a filing cabinet.

By automating across our business and moving toward a paperless environment, we have eliminated the need to rent outside storage space to house files. This reduced costs and improved the security of

our documents.

And the third capability required of an accounting system—and really any technology a lender is seeking—is that it must have flexibility built directly into the software.

There are several facets of our business that set us apart from other lenders and require robust technology. Being in land home financing creates a need for construction loan administration, including the ability to track construction draws.

Having dynamic accounting software has enabled us to handle these services

without making costly customizations and the construction draws are simply tracked per borrower by the loan number.

We also retain the servicing rights to all of the loans we originate and more accurate accounting provides the easy tracking of loan-specific default mitigation expenses.

Management now receives precise financial reports that help them better shape the policies and procedures related to government loan modification and other default loss mitigation programs currently in use.

As I said in the beginning, automation and technology are imperative across an entire lending organization. At Cascade Financial Services, we have seen great success in applying this belief to our accounting department, an area of the business that is often left behind when management is looking at technology upgrades.

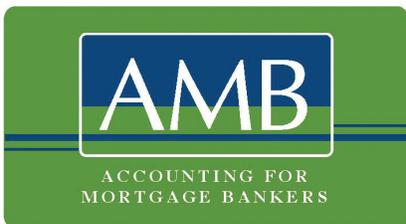
The time that has been saved through various efficiencies is equal to a full-time staff member. We have thus been able to allocate this time and money to other areas of the business, such as expansion and compliance programs.

I can easily say that the growth we have seen over the past two years, as well as our future plans for expanding to other states, would not be feasible without the technology solutions that we have put in place in our accounting operation.

It literally pays to put the effort into finding the right systems that will work together to streamline your lending organization. [MT](#)

Wayne Bond is chief financial officer and a junior partner with Cascade Financial Services.

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