

A CRI Solutions White Paper



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## Selecting a Loan Origination System

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## Introduction

In today's credit union technology environment, Loan Origination Systems (LOS) have become critical for the successful delivery and profitability of credit union products. As members increasingly demand convenience and speed when doing business with a credit union, the focus of the loan origination platform has shifted to an integrated platform for every point of sale.

In this white paper, we will point out some of the key points to consider when selecting a loan origination system and how CRIterion® can help solve these challenges.

## Problem Statement

### *Connectivity*

The ability for your loan origination system to connect with a variety of other software lies at the heart of enabling your member service staff to be more productive. Unfortunately, many systems available today do not have the right mix of interfaces to truly automate the point of sale.

In order to give members what they want – convenience and speed, a credit union must have systems that integrate multiple systems into a single solution. The single biggest complaint from credit union staff is the need to use several different systems to deliver products and services. They want a true middleware platform that enables them to service members quickly and conveniently at any point of sale.



### *Open and Flexible*

A well designed system should provide maximum flexibility within the application itself. The challenge is to choose between a system that is designed with a series of options switches or one that is tool based which adapts to the credit unions' lending program without compromise.

The real question here is whether a credit union will need to alter their lending policies and practices to fit within the constraints of a system or whether their system should be flexible enough to implement exactly what the credit union wants and needs.

### *Sales Tools*

As recently as 5 years ago, the term "sales" was frowned upon in many credit unions. This was largely because credit unions were founded on the principle of serving the membership, not on getting them to buy as much as possible. In today's competitive environment, however, credit unions are not serving their membership if they don't inform them about their products. In most cases, members can get better services and more competitive rates from their credit union, but are much more effectively 'sold' by large banks and financial service companies.

In general, members are flooded with direct-mail pieces and to a lesser extent today phone solicitations. This leaves two major options for cross selling – person to person contact with credit

union employees or via indirect channels such as the internet or through auto dealers. An effective loan origination system must offer your products and services to 100% of your members 100% of the time regardless of the point of sale channel. It should also equip your staff with a strong sales tool to inform the membership of the value of credit union products and services.

### **Key Considerations**

#### *History of Interfacing to 3<sup>rd</sup> Parties*

One of the key indicators in determining the level of efficiency a system can provide for your staff is the history and philosophy of a vendor when interfacing with 3<sup>rd</sup> parties. How willing are they to build new 3<sup>rd</sup> party interfaces? Do they actively seek out new 3<sup>rd</sup> party solutions to help you arm your staff with the best point of sale software?

#### *Ability to Self Customize the System*

Many credit unions are looking for systems that allow them to share in the development of the product. Some have on-site programmers that are capable of programming changes and enhancements, while others seek to outsource these tasks to the vendor. A tool based system coupled with solid vendor support allows credit unions to have choices about the level of customization they desire as their business grows.

At a minimum, good loan origination systems provide a powerful reporting tool such as Crystal Reports and the



ability to change rates and loan parameters with ease. The truly flexible systems give credit unions the ability to design their own workflow, screens, auditing and business logic.

### *Open Platforms*

Why is it so important that a vendor provide an open platform? It puts *you* not the vendor in the driver's seat.

There are an enormous number of vendors competing for your technology dollars, including providers of home banking, kiosks, shared branches, call center services, indirect lending and internet lending to name a few. Although many data processors have formed relationships with some of these providers, you frequently have the option of connecting to only the specific provider that the data processor has chosen. Most often, you are also expected to purchase the product through your data processor rather than directly from the product provider. You may feel that a different vendor has a better solution for you, but you are frequently not given that option. In today's software environment, this type of approach is unthinkable. Even an industry powerhouse like Microsoft provides built in links with competitor's products.

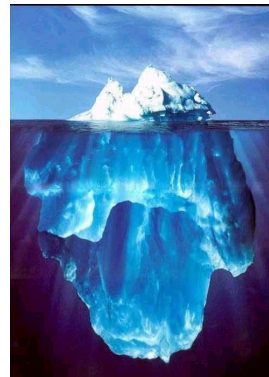
### *Big Decisions vs. Little Decisions*

Choosing an open platform not only gives you freedom of choice, but the chance to correct past mistakes and save significant money. Most credit unions approach data processor conversions as

one "Big Decision" rather than a series of smaller decisions. With a more modular, open system you can choose each product on its own merit, without having to sacrifice your ability to deliver members convenience and speed.

As your needs develop, you can replace different "building blocks" whenever it makes sense. This provides a much more competitive environment for vendors, since each product must constantly prove (and *improve*) itself or be replaced by a more full featured competitor. In this scenario, vendors can no longer settle into post conversion complacency – a common occurrence in the 5 year credit union conversion cycle.

### *The Iceberg Principle*



The majority of all failed technology installations are the result of insufficient research prior to the selection of the loan origination system. In other words, the things that are under the water are what matters most.

Some of these underwater dangers are:



*Over Simplification* - Lending is more complex than it used to be. Don't be misled by a sales presentation that it is simple. Look under the surface and make the vendor show you exactly how a feature works.

*Demo vs. Installed* – It is amazing how long it takes some vendors to install a system. We have seen some vendors take over a year to complete the install. The installation process should not take more than 90 days.

*Hidden Costs and Manpower* – Watch out for hidden costs in your contract. Many credit unions find out later that the system costs ended up being 20-30% more than the contract due to open ended pricing for such things as forms programming and interfaces to 3<sup>rd</sup> parties.

*Shopping Hints* – It is important to really grill every vendor with tough questions. Verify that the interfaces are fully functional. Obtain detailed, written specifications on the manpower included in the proposal. And last, but not least, give yourself a way out of the contract if things go south.

#### *Lending Your Way*

You have spent years refining your lending programs, policies and procedures. A good LOS system should not force you to make changes to adapt to the system. In fact, the vendor staff should be consulting with you every step of the way to make sure the system implements **your** lending program.

It can also be a time to consider changing your lending practices to streamline the delivery of loan products. This is where an experienced vendor staff can advise you on the best practices that other LOS clients use. In the end, make sure you select a partner who understands your business and is willing and able to adapt the system to meet your needs as your lending program evolves.

#### *Customization vs. Configuration*

When selecting a Loan Origination System, it is important to recognize the distinction between configurable versus customizable.

A configurable system provides credit unions with lists of option switches that you turn on or off based on your needs. The robustness of these switches really depends on what the vendor has chosen as the predominate settings most credit unions need. Some credit unions may find this level of configuration meets their current needs. But what happens when lending programs change over the years? Credit unions often need more switches, unique calculations, formulas or workflow processes.

Make sure the vendor has mechanisms in place to add more configuration options quickly. You don't want to have to wait for a steering committee to approve your system change request or get caught up in vendor development cycles. After all, you have a business to run which cannot be held back by your lending platform.



With a customizable system, the vendor consults with you first to understand your lending program and objectives and adapts the system to your lending program. This type of system provides credit unions with the maximum level of flexibility. A customizable system should allow you to customize screens, workflow, data fields, auditing, rate automation, underwriting, and interfaces to 3<sup>rd</sup> parties to name a few. The database should be open and accessible by off the shelf reporting tools such as Crystal Reports.

It is important to make sure that the vendor has good processes for the testing of custom programming prior to being placed in your live environment.

### *Product Sales*

Interest income margins for credit unions are getting squeezed more than ever. Credit unions are now focusing more on non-interest income as means of boosting performance. LOS software platforms should provide useful tools for staff to focus on product sales.

Sales are broken into two main categories: *Credit Union products* (loans, deposits, services) and *Financial Products* (Credit Insurance, Debt Cancellation, GAP, AD&D, Warranties, etc.)

A strong LOS system will automate the quoting of credit union and financial products without having to force a member service representative to work

out of process. The system should be able to quote products and services natively. Staff should not be re-keying any data in separate software or web sites to compute a quote. And the ability to package products and services into bundles is a growing trend.

The ability to cross sell credit union products should be at the heart of any good LOS sales platform. There is a wealth of data available to mine for opportunities from sources such as: credit reports, interview answers, data processing systems and 3<sup>rd</sup> parties. The LOS platform should provide a robust means to interpret this data and give staff recommendations for cross-sell opportunities.

Powerful sales tracking and reporting enable managers to efficiently manage an incentive program. Look for LOS platforms that have open reporting tools that can easily produce performance tracking reports. Managers should not be spending time tabulating monthly goals, incentives and rewards. The reporting capabilities should provide a one-click report that can be distributed with ease. Whatever the reporting solution is, make sure it can provide the output that matches your tracking and incentive program designs.

### *Other Features*

Some other key features that any LOS platform should support are:

- Interfaces to vehicle valuation providers



- Automated approval engines
- One-click credit report parsing
- Interest Rate Automation/Risk based pricing
- HMDA reporting
- Intelligent forms rendering and archiving
- Insurance product sales and administration
- Powerful reporting tools
- Document Imaging
- Real time links to online loan applications
- Indirect lending interfaces and support
- Flexible workflow
- Work Queues

### **The CRIterion® solution**

CRIterion is an open and customizable loan origination platform designed exclusively for credit unions as a true middleware application. Its SQL database architecture and Microsoft VBA toolset provide a robust set of tools that can adapt to the ever changing needs of credit unions.

The ability to deliver loans fast and conveniently to members at every point of sale is the foundation of the CRIterion solution.

Some of the key benefits of CRIterion are:

#### *Interfaces*

CRIterion interfaces with the top core data processor systems as well as value added 3<sup>rd</sup> parties such as NADA, Route

One, Dealer Track, Digital Insights, CUDL, Visual GAP, to name a few. Because of the unique flexibility in the architecture of the platform, CRIterion can integrate with key lending vendors quickly and provide a seamless end user experience.

Our credit union clients often make suggestions for interfaces to other systems to make the lending process as efficient as possible. We listen to our clients and implement many of these interfaces each year.

#### *Customization*

CRIterion is one of the few products in the market that offers a truly flexible and open platform. Our ability to customize screens, fields, databases, workflow, business logic, forms, reports are what give our clients the best of breed LOS they are looking for. This ability to adapt to each credit union's lending program and processes are what makes us unique and a leader in the credit union LOS market.

Our staff understands the lending process and they bring the best features of every client installation to everyone. They are fully empowered to deliver custom system changes often with same day turnaround.

#### *Internet Lending*

No Loan Origination System would be complete without a strong online component. Our InterLend® online lending product is a companion to CRIterion for direct to member lending.



Built on Microsoft .NET technology, InterLend provides a robust member experience with instant loan decisions in less than 30 seconds.

InterLend can pre-fill member data to keep the loan process fast. In fact, a member can apply online in less than 5 minutes. InterLend is also customizable to meet your members needs.

Our unique CentraLink® integration software applies the same underwriting criteria across all lending channels (Walk-In, Phone, Internet, Dealer, Fax) This integration software serves as the communications hub between CRIterion and InterLend, 3<sup>rd</sup> Party Call Centers and Indirect Lending programs. This ensures a consistent member experience and provides real time integration into CRIterion. Your staff can focus on making good lending decisions without the burden of managing separate lending software platforms.

### **Implementation**

CRIterion can be implemented as a single user system to over 500 users due to the scalability of the platform and the Microsoft SQL database. Installations average between 45 and 90 days depending on the scope of the project. Our installation process involves an extensive up front consultation period in which our staff learns about all of the intricacies of your lending program prior to building the system.

With over 25 years of experience building technology systems for credit

unions, we bring together all of the best practices from over 200 installations in North America to give you a real competitive advantage. Our ability to collaborate with you and understand your needs is the key to our unique ability to help your credit union thrive.

### **About CRI Solutions**

CRI Solutions, headquartered in Elkridge, Maryland, provides lending technology solutions and support for more than 250 credit unions throughout North America. The company's best-of-breed technology platforms: CRIterion® and Interlend® are market leading custom lending and workflow solutions designed exclusively for credit unions. CRI Solutions also provides IT consulting, business continuity services, professional training and indirect lending software for credit unions.

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