

## CASE STUDY:

# Think Like a Manufacturer to Improve Your Lending Process

Grappling with an LOS change involves more than just swapping out one technology for another. In many cases, the biggest hurdle for lenders is recognizing the cultural and organizational change that must accompany a technology change. LendingQB worked with Southern California-based Mountain West Financial to meet this challenge head on and helped them manage their LOS integration throughout the process.

## **BROKEN PROMISES ALMOST DERAILED TRID IMPLEMENTATION**

Located sixty miles due east of Los Angeles, Mountain West Financial is one of the largest mortgage lenders in the Western United States. Founded in 1990 by Mike Douglas and Gary Martell, Jr., the company has a reputation as a friendly, family-owned business with a 'Make It Happen!' philosophy.

Michael Stalnaker, Vice President of Business Process Management, joined the Mountain West family after two decades of corporate banking and immediately noticed the difference. "There's just a lot of trust here. This was a home grown, small service-orientated lender," said Stalnaker.

Due to the strong relationships that they built with their customers, Mountain West Financial emerged from the financial crisis in a better position than most mortgage lenders. The company grew from 250 employees to almost 500 within a few short years and became a major force in both wholesale and retail lending throughout San Bernardino, Riverside and Los Angeles counties as well as the Greater Sacramento area in Northern California.

In 2014, Mountain West Financial found out that their LOS

system was being sunsetted. To make matters worse, the CFPB announced that TRID would be implemented by mid-2015. "We realized that even if our old system wasn't being sunsetted, it was not TRID ready and wasn't going to be," said Stalnaker.

Mountain West formed a vetting committee and evaluated several LOS vendor systems. Having a strong background in technology, Mountain West was confident they had the expertise to find a vendor that could meet their needs within the required TRID time frame. They initially selected a large, highly configurable LOS system that they felt provided the flexibility they sought. "We wanted to be able to tweak everything to fit the way we saw the world." Unfortunately, as is the case with many other LOS implementations, the vendor over-promised and under-delivered.

"We didn't get past configuration," said Stalnaker. "Our project manager was changed three times. Milestones, even through configuration, were never met. They came back and gave us — after almost nine months — our first statement of work. The estimated completion dates were not going to make TRID. And let me tell you, there were far too many zeros in that statement."

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## LENDINGQB PROVIDES THE FOUNDATION FOR A SUCCESSFUL IMPLEMENTATION

Shortly thereafter, Mountain West began discussions with LendingQB to replace their failed implementation. Stalnaker remembered how their presentation caught his eye. "We were sold on LendingQB's Lean Lending concept. I come from a Six Sigma background. When you mention lean to me you get my attention."

Stalnaker was referring to LendingQB's Lean Lending solution approach, a holistic strategy to achieving performance improvement that drives both the development of their technology and the services that accompany it. Lean Lending borrows heavily from lean manufacturing principles that originated in the 1980's. LendingQB adopted these principles to apply to the mortgage lending industry with the goal of reducing the cost to 'manufacture' a mortgage note.

Stalnaker understands that the mortgage industry, Mountain West in particular, does not necessarily subscribe to the notion of mortgage lending as a manufacturing process. "This is a relationship, services driven business," he said. "It's a foreign concept to those in this industry that have been here a long time. But make no mistake, it has some elements of manufacturing in it. The repetition that people do in mortgage are not unlike the people that sit in front of a punch press. There's still a conveyor belt here, you just don't see it."

LendingQB did more than show Mountain West the technical capabilities of their LOS system. They laid out exactly how the system was intended to be used and presented configuration options in the context of a workflow. "Our process, our workflow — it's not on a piece of paper. It's not something that we could easily draw. LendingQB did just that. They showed us a workflow that is concise, predictable and lean. It was impressive."

Mountain West was convinced that LendingQB had the technology and a strategy for improving their business. They began implementation in early 2015 and, given their previous

experience, were cautious about the project. "We had that 'once bitten, twice shy' attitude." Mountain West dedicated two people full time to manage the project, with three other support personnel to assist with the implementation.

"It was a completely different experience from our other vendor," Stalnaker remarked. "It wasn't that we met more often or that LendingQB had a better project plan. They simply were more accountable. When LendingQB said they were going to do something, they did it."

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With TRID looming, Mountain West and LendingQB worked furiously to complete implementation, configuration and training. Stalnaker proudly acclaimed that, "We might have gone down as the quickest implementation when compared to our size. We completed forty-three branches in three months."

He admitted that it wasn't easy and their executive staff had to deal with quite a bit of adversity, which is typical with an LOS change. But in the end, "We didn't lose anybody. Not a single person resigned or refused to use the system. That's all the way through the organization, loan officers and branches - even those that threatened they were going to leave."

Mountain West successfully implemented LendingQB and was able to meet the TRID deadline. After almost two years since their LOS journey began, Stalnaker is satisfied with their choice but more importantly, sees where his company is going in the future. "When you start peeling back how to make the Lean Lending workflow work, you drive the workflow. You trust the system," he said.

"You have to remember that this is a home grown service orientated company that views the business from a service oriented, customized approach." Implementing LendingQB and their Lean Lending approach enabled Mountain West to establish a more consistent process that is scalable, which Stalnaker knows is a hallmark of being lean. "Consistency is the requirement of efficiency. As much as we changed our technology to fit our business, we needed to make the cultural changes that allowed us to adopt new processes necessary for our growth."

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