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Origination Leaders Ignore Online Channel

By Anthony Garritano, Editor, Mortgage Technology Newsletter



Anthony Garritano

The online channel remains a place where innovators can prove their worth and stand out. In fact, six of the top 10 originators overall don't have a place on our top 25 2005 online lenders list.

Why? Agility for one. The larger lenders have been so overwhelmed with refinance

volume and acquisitions that they haven't had the time to invest in technology to refine their online channel, or even their internal processes for that matter.

Given that volume is slowing lenders are now refocusing and starting to invest heavily in technology again. Lenders like National City and JP Morgan made speeches at the last two SourceMedia conferences indicating that they will be embracing service-oriented architecture as a way to streamline their processes, prepare them for the future and eliminate redundant systems. Both lenders inherited several origination systems from acquisitions and are looking to consolidate all of their enterprise on one system going forward.

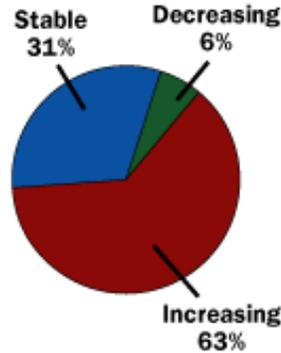
But how much are the large lenders actually losing out on? A lot actually, because not only are the top online lenders tapping the power of the Web, they're also seeing this channel grow by leaps and bounds. If the gains from 2004 to 2005 are compared side by side, the lenders on the list have nearly doubled their online volume in that period, growing the channel by 56% to be exact. Further, 94% of 20 respondents see the online channel as either stable or increasing.

And if you look even further downstream to the credit unions, they're even more effective online. Boeing Employees' Credit Union for one has seen great success with their online mortgage origination using the Prime Alliance system.

Specifically, with the online mortgage loan process BECU now receives 35% of their mortgage applications after normal business hours, according to creditunions.com. The convenience of applying anytime day or night allows BECU to capitalize on these opportunities that otherwise would be lost.

Further, creditunions.com reports that Lake Michigan Credit Union receives

Characterize the state of online lending in the mortgage industry today?



Source: "Your Thoughts" Section of the MT Newsletter

approximately 75% of their mortgage applications from members over the Internet and the remaining 25% at the branch. Kathy Carlson, director of mortgage lending at the credit union, said that their mortgage volume has increased, but more significant to her has been the "efficiencies on the processing end."

As this year progresses, and as we move into 2007, it will be interesting to see if this landscape changes and the larger players start to invest more on the online channel to knock some of the midtier players out of the market, or if these midtier players have become so entrenched online that they've been able to carve an untouchable niche out for themselves going forward.

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