



Overview

Country or Region: United States

Industry: Financial services

Customer Profile

The Colorado Housing and Finance Authority, based in Denver, improves the lives of Coloradans by financing the places where people live and work. It was created by an act of the state legislature.

Business Situation

CHFA found its IBM System i-based solution relatively inflexible and difficult for both internal loan analysts and external lenders to use.

Solution

CHFA replaced its system with a solution based on Captaris Workflow and a range of Microsoft® technologies.

Benefits

- Increases productivity by 30 percent
- Cuts published compliance review by 67 percent
- Reduces development time, budget by 70 percent

Agency Cuts Time to Process Home Loans by 67 Percent, Boosts Quality 300 Percent

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Karen Harkin, Director, Home Finance, CHFA

The Colorado Housing and Finance Authority (CHFA) was using an aging, inflexible IBM System i-based (AS400) solution to manage the process of financing affordable home loans for low-income Coloradans. As a result, the process was time-consuming and expensive. To better achieve its mission, the Agency moved to a custom solution based on Captaris Workflow™ from Microsoft® Gold Certified Partner Captaris, and a range of Microsoft technologies. The new solution, called Stars, enables CHFA to handle a 30 percent increase in loan volume without increasing staff—while also increasing the quality of those loans by 300 percent. The published review time for loans has been cut by 67 percent and new solutions and solution enhancements are produced up to 70 percent faster.

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Kelly Becker, Technology Program Partner,
CHFA

Situation

For more than 30 years, the Colorado Housing and Finance Authority (CHFA) has been helping to make housing more affordable for low-income Coloradans by financing home loans throughout the state.

Until recently, it implemented that mission in large part through a custom software solution running on an IBM System i (formerly AS400) system. But the solution was less than optimal, both for the external lenders working with CHFA as well as for the loan analysts and IT staff inside the organization.

For lenders, who booked loans through CHFA on behalf of residential customers, accessing the solution over the Internet brought them to a “green screen” of text through which they could submit loan requests and obtain confirmations of those submissions. There was no way for them to view the status of those loans as they were being processed, making loan management difficult for lenders. Worse, to obtain loan status, they would continually call CHFA’s loan analysts, keeping those analysts from more strategic functions, such as evaluating overall loan quality.

Meanwhile, for loan analysts, the solution had other drawbacks. “The system was brittle and inflexible,” according to Kelly Becker, Technology Program Partner, CHFA. “That meant we couldn’t readily meet business needs or respond quickly to market changes. If we wanted to roll out a new program, it could take a year.”

The solution’s backend consisted mainly of a data store and calculation engine; it lacked the workflow necessary to assign loans for review and then move them through the process of approval or rejection. That process was manual and time consuming. Even the process of creating a reply letter to a lender was laborious and error-prone, based on

lengthy numeric codes that analysts had to use in order to insert basic portions of the letter. Maintaining all electronic documents related to a loan request was also difficult, and analysts wasted precious time tracking down the documents they needed.

Nor did the solution have the business intelligence capability that CHFA analysts needed to analyze the Agency’s overall performance. “We were dedicated to delivering optimum performance—but we didn’t always have the metrics needed to measure our progress,” says Karen Harkin, Director, Home Finance, CHFA.

The solution posed yet another series of concerns for the Agency’s IT staff. The same inflexibility that kept IT from rolling out new loan programs also kept it from updating existing ones. For example, the system was hardcoded to purchase loans on a weekly basis. Purchasing loans on a daily basis would have shortened the loan cycle, helping the Agency to meet its mission, but the system couldn’t accommodate the change.

Even maintenance was becoming an increasing challenge. CHFA had retained three IT staff members to service the solution but, as they left the Agency over time, it was increasingly difficult to find people versed in System i. The solution maintenance team eventually shrank to one. “System i was an old platform,” says Becker. “It wasn’t what people were being trained for. All of the other issues we had were exacerbated by the inability to find staff.”

Solution

To address these needs, CHFA created a new solution based in part on Captaris Workflow, an automated business process management solution from Captaris, a Microsoft® Gold Certified Partner. The solution, called the Stars System, includes a real-time Web site—called HomeConnection—

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for external lenders, plus a smart client and a server-side, workflow-enabled, rules-based system for CHFA analysts and other internal users.

External lenders reserve loans online using HomeConnection, which uses a wizard to guide them through a streamlined set of questions. Lenders have visibility into their entire pipeline of CHFA loans and can see the status of a loan as it moves through the process from reservation through loan purchase.

Next, lenders submit a loan package for CHFA compliance underwriting. The file is checked into the server-side of the system and, using Captaris Workflow, it is assigned to an available analyst, with a deadline to review it within 24 hours. Using Microsoft BizTalk® Server 2006, the system applies business rules to the loan, which alert the analyst if the loan fails to comply with CHFA requirements including income limits or purchase-price limits for program eligibility.

The analyst views and works with the loan request through a Windows® Forms-based smart client application, which is a component of Stars and which provides intuitive access to a range of loan-related information. The analyst checks off received documents and enters document conditions into the document tracking subsystem, which also is based on Captaris Workflow. The analyst can approve, suspend, or deny the loan.

The system uses the workflow technology to automatically send a detailed letter to the lender—using the lender’s preferred communications channel, such as e-mail or fax—informing the lender of CHFA’s decision, including details of missing documents or conditions of the loan. The loan history, a conversation log, snapshot of the workflow path, and all system-generated documents

are attached to the loan record, making it easy for an analyst to retrieve needed correspondence. These documents are also available to the lender through the HomeConnection site.

If the loan is approved, the lender prepares a package for purchase review. When CHFA receives the package, the solution creates a new task which moves the loan through a prefunding and quality assurance workflow process.

Once approved, CHFA can fund the loan at any time, rather than only during a once-weekly window. The system communicates with an external servicing system and with the CHFA’s J.D. Edwards Enterprise One general ledger system. Another Stars workflow-based subsystem manages all post-closing loan functions.

Managers use Stars to analyze the Agency’s overall loan performance, including the time to process loans, loan metrics by lender, and other variables. The business intelligence capability is fueled by Microsoft ProClarity and Microsoft SQL Server® 2005 Reporting Services, part of the Microsoft Application Platform, which make more than 40 reports available to internal users through the Stars smart-client interface.

External lenders also have access to the business intelligence capability—limited to information on the loans they’ve submitted—through Web parts on the HomeConnection site that deliver dashboards and drill-down data.

Benefits

By automating the workflow of the loan approval process, providing business rules for loan evaluation, and giving analysts and managers greater insight into loan status, CHFA has used Stars to enhance its performance on a variety of key metrics.

“We have more insight into the quality of our loans and that means we can make better-quality loans. The business intelligence in Stars makes this possible.”

Karen Harkin, Director, Home Finance, CHFA

Increases Productivity by 30 Percent

For example, the Agency is managing a 30 percent increase in loan production between 2006 and 2007 without any increase in staff.

“Stars and the Captaris and Microsoft technologies behind it have been instrumental in our achieving a 30 percent increase in productivity,” says Harkin. “For example, our analysts used to spend about 30 percent of their days at the fax machines sending decision letters to lenders. Stars automated this task, freeing up valuable resources to focus on more crucial tasks.”

Similarly, when analysts sent reply letters to external lenders, those lenders would telephone the analysts in two-thirds of the cases to ask for clarification or more information. With the detailed letters that analysts can now send automatically, combined with the ability of lenders to view loan status in real time on HomeConnection, those calls have virtually disappeared, again freeing up analyst time for more strategic functions.

Analysts are also more productive because Stars enables them to directly access the functions and information they need as they work as opposed to the previous, green-screen solution, which required analysts to work serially through a series of screens.

Cuts Published Compliance Review by 67 Percent

It's not only external lenders who have more visibility into the loan process thanks to the business intelligence capability of Stars—so do CHFA's analysts and managers. And they are using that information to manage the loan process more efficiently and effectively. For example, when CHFA had a temporary backlog of loans waiting for purchase, loans were taking about 20 days on average to process. With the reports and tools in Stars to manage performance, CHFA managed the

backlog and reduced it to the normal range of 8-10 days.

Similarly, CHFA now is able to do a better job of creating metrics and using them to evaluate the Agency's performance. One such measure of performance is cycle time. CHFA's published turnaround time for compliance review was three business days—but the Agency wanted to be able to guarantee review in one business day. Cycle time reporting in Stars showed CHFA that it was already meeting the one-day metric—enabling the Agency to reduce its published turnaround time by 67 percent. The Agency is also using metrics obtained through the business intelligence in Stars to improve its cycle time for purchase review.

CHFA is using the business intelligence in Stars not only to improve the Agency's processing, but also to improve the quality of loans that it makes. With Stars, CHFA maintains and reviews more data fields on each loan, and has added a quality assurance function.

The more in-depth analysis enables CHFA analysts to spot problem loans earlier, giving external lenders an opportunity to correct those problems before the burden of repurchasing a problem loan falls back on the Agency. As a result, the quality of loans has increased by 300 percent, as measured by the reduction in the number of problem loans that partner lenders CHFA had to repurchase.

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Reduces Development Time, Budget by 70 Percent

In contrast to the original, System i-based solution—which was an increasingly inflexible development platform, and for which staff

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For more information about Captaris products and services, visit the Web site at www.captaris.com

For more information about Colorado Housing and Finance Authority products and services, call (303) 297-CHFA (2432) or visit the Web site at: www.chfainfo.com

was increasingly difficult to find—CHFA now finds development relatively fast and easy, and development resources readily available, with the Stars solution based on Captaris and Microsoft technologies.

“It generally took us well over a year to roll out a major new software application with the System i-based solution,” says Becker. “But with Stars, we roll out those new products in just months or as little as a month—as we did with the recent implementation of a new refinance product—saving 50 percent, 70 percent or more of our development time and budget. The difference is a flexible, service-oriented architecture and the development tools that we can use with the Microsoft platform, such as Microsoft Visual Studio® 2005.”

Indeed, many system enhancements or adjustments that formerly required IT involvement, such as creating a new loan product, can now be done by business analysts themselves, both saving resources for the IT department and getting those enhancements implemented immediately for business users.

Microsoft Server Product Portfolio

For more information about the Microsoft server product portfolio, go to: www.microsoft.com/servers/default.aspx

Software and Services

- Microsoft Server Product Portfolio
 - Microsoft BizTalk Server 2006
 - Microsoft SQL Server 2005
 - Windows Server 2003
- Microsoft ProClarity
- Microsoft Visual Studio 2005

Technologies

- Microsoft SQL Server 2005 Reporting Services
- Windows Forms

Hardware

- DELL PowerEdge 2850 computers