

Merrill Lynch Credit Corporation (MLCC)

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Snapshot

Organization

Merrill Lynch Credit Corporation (MLCC)

Profile

MLCC offers liability management solutions through real estate and securities-based consumer credit products

Headquarters

Jacksonville, Florida

The Challenge

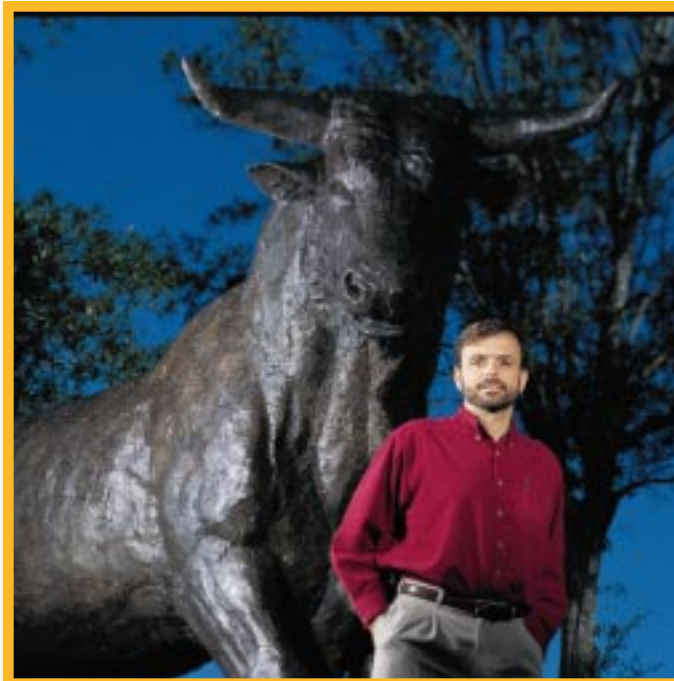
To streamline and standardize the loan origination process

Results

Creation of the Workflow Management System, which allows loan officers to manage, prioritize, and measure new mortgages by producing task lists, distributed to employees, while tracking status

Information Builders Solution
EDA, Copy Manager

Merrill Lynch Streamlines Loan Origination Process With Custom Workflow Management System



THERE'S NO QUESTION THAT COMPUTERS CAN SPEED UP ROUTINE office tasks such as creating documents and recording financial transactions. But information technology reaches its full potential when many computers can work in unison to automate complex business processes, such as procuring goods, managing inventory and approving loans.

"Many organizations grapple with tying together disparate computer systems in an effort to create a more functional working environment," explains Mark Rizk, System Architecture Manager at Merrill Lynch Credit Corporation (MLCC). "The real challenge comes with re-creating the organization to take advantage of these renewed system efficiencies. Technology is the enabler. The business processes provide the real benefit to the organization."

“Instead of creating a system from the ground up, the team has used middleware to tie the systems together.”

Merrill Lynch Credit Corporation (MLCC) is one of the winners of the 1997 Malcolm Baldrige National Quality Award. MLCC offers liability management solutions through real estate and securities-based consumer credit products, including home financing, personal credit, investment financing, and business financing programs. Through the use of their ongoing quality measures they are able to recognize opportunities that improve efficiencies and ultimately client satisfaction.

Since 1997, Rizk and his team have worked with corporate officers to reinvent the loan origination process. “Our objective was to implement a Workflow Management System that would improve client satisfaction through the use of a more standard and consistent loan application and approval process,” says Rizk.

MLCC’s previous loan origination process was manually intensive. Each team used its own best-practice processes standards that governed how loans were initiated, routed, and approved. This lack of common best-practice processes resulted in redundancy and errors, which required rework and reduced client satisfaction.

MLCC had an ambitious agenda for improvement, which Rizk and his colleagues boiled down to six essential goals:

- Enhance client satisfaction by improving each loan officer’s ability to respond to inquiries

- Reduce oversight and errors
- Increase productivity by queuing and prioritizing tasks
- Reduce fallout by minimizing loan-processing cycle time
- Increase productivity by reducing the learning curve
- Enhance management reporting capabilities

Previously, loan applications came to the department through the corporate mail system. All loan application papers went into a manila folder circulated by “runners” to an in-box on a loan supervisor’s desk. The supervisor sent the collection of information to the lending officer. The lending officer circulated the information to application processors, who collected information such as verification of deposit, tax returns, and employment history.

“The lending officer was the only client contact,” explains Rizk. “Once a loan was approved, the information was sent to the underwriter, who made sure the loan could be sold to an investor. The new system enables more complete communication between our loan professionals during the lending process.”

Automating the Workflow

Today, the loan origination process is driven by small loan-processing teams consisting of one lending officer, one process person, and one underwriter. Each team focuses on the completion of its assigned loans and is compensated based on productivity. They use the Workflow Management System, a new application that allows loan officers to manage, prioritize, and measure new mortgages by producing task lists, distributed to employees, while tracking status.

“There is still a file folder, but the Workflow Management System knows where the file folder is and how long it has been there,” says Rizk. “The system assigns tasks as needed and notifies each team member when the next steps are expected and where that person fits into the process.”

Once a loan application is completed, the Workflow Management System produces a task list for the loan officer, distributes loan and task requirements to appropriate employees, prioritizes each task, and keeps track of task status and completion. “People are in synch and they are processing more loans,” Rizk adds. “The Workflow Management System allows multiple users to perform parallel activities on a loan application. It automates key tasks, tracks process cycle times, and obtains qualitative

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management information for setting and validating loan production goals.”

Revamping the Workflow Process

Creating the Workflow Management System was an eye-opener. The company went through a unique reengineering process to determine the ideal structure for the loan processing organization. Then, MLCC formed three development teams: the Loan Process Improvement Team reviewed how information and loan applications moved through the organization; the Information Technology Team reviewed the status of MLCC’s computer system; and the Network Team reviewed how all systems were connected.

The IT Team, led by Rizk, determined there were two notable technology elements to the Workflow Management System. The first was the development of an application that could automate the core parts of the loan approval process. This was built using Mosaix’s View Star, a packaged application that facilitates more efficient loan processing.

The second distinct element was the integration strategy that tied Mosaix’s View Star to legacy systems where loan data is stored.

“Instead of creating a system from the ground up, the team has used middleware to tie the systems together,” says Rizk.

MLCC used Information Builders’ EDA application integration technology to gather data stored in a CICS application on the mainframe and transform it into a form that could be understood by Mosaix. They also used Information Builders’ Enterprise Copy Manager to extract, cleanse, and load the mainframe data into an Informix database on a Sun Microsystems server.

“Loan data residing in the legacy system is married to operational information residing in the Informix database where it can be accessed by Mosaix’ client/server workflow system,” Rizk explains. “With EDA and Copy Manager, we discovered a way to use existing systems without designing the data stores and hardware from scratch.”

Finally, the Network Team developed a new TCP/IP LAN to circulate the Workflow Management System’s information.

Testing the New System

The Workflow Management System was introduced to a test group of 35 people in July 1998. The group offered feedback and helped refine the various system modules. Since then, the Workflow Management System has been rolled out to about 300 users in the Client Services,

Lending Services, Underwriting, and Lending Support Services Departments. “Workflow Management System has been embraced quickly and we anticipate that it will be adopted enthusiastically by the remainder of the loan processing staff,” Rizk says. “Training takes only a day and a half – a relatively short time frame.”

Most users share Rizk’s enthusiasm. For example, Doug Jacobson, a Supervisor of the Productions Area in the Eastern Region, has the job of assigning loan applications to the appropriate lending officers on his team. In the past, Jacobson had to determine which office an application came from, figure out the corresponding office number, then assign the loan to the loan officer who handles that particular area. “Now, when I get into the office in the morning, the Workflow Management System has already assigned each of the loans according to office origination,” says Jacobson. “That one feature of the system saves me about 30 minutes each day.”

The system offers other shortcuts as well. “I can view a loan on my screen and the program automatically links the loan to an Excel spreadsheet file I may have created for it,” Jacobson adds. “Finding that file used to be very time-consuming.”

Reinventing the Business

The Workflow Management System has helped each partner involved at each critical step of the loan processing cycle. It enhances client satisfaction service by improving a lending officer's ability to respond to inquiries. It provides standardization and consistency in processing loan applications. It reduces oversights and errors. And it increases partner productivity by queuing and prioritizing tasks. In short, The Workflow Management System has enabled a dramatically different way of communicating and processing information, redefining operational processes in the name of efficiency and client satisfaction. "By helping everyone work in synch, the Workflow Management System has created a sense of cohesion among our team members," Jacobson says.

Statistics created by Merrill Lynch analysts back up these claims. The Workflow Management System has increased client satisfaction and reduced client shopping by minimizing loan-processing time from 36 to 22 days. Based on this improved cycle time, analysts predict that the total number of loans closed will increase from 134 in 1998 to 361 in 2002. "More loans will be processed with the same number of people," Rizk says. "We anticipate a 5 percent increase in productivity in 1998, rising to a 10 percent increase annually until 2002."

Based on these projections, the Workflow Management System will start paying for itself in 1999 and show an improvement to the bottom line through 2002.

Spreading the Word

Based on MLCC's success with the Workflow Management System, Rizk anticipates informing other subsidiaries of Merrill Lynch about their reengineering efforts.

Part of the enthusiasm stems from the elegance of the system's architectural design: The Workflow Management System gives MLCC the ability to use existing technology to create a common screen format for all operating sys-

tems used in the original process, whether from a mainframe or a client/server application. The disparate data stores have been married to create a streamlined process.

"The Workflow Management System enables each person in the organization to have a common view of the loan information," concludes Rizk. "This integration has dramatically changed how MLCC does business and enabled us to reorganize our staff. By revamping the core tenets of how we operate, we have increased our productivity and in turn our client satisfaction."

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