

# **Del Mar Database**

## **DataTrac Product Analysis**

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# DISCLAIMER

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*The analyses and data in this book are based upon a survey of a sample of Del Mar Database clients conducted in June-July 2003.*

*MORTECH, LLC makes no representations as to the accuracy or omissions in any of the individual or aggregated responses in the Survey or in the sampling and survey techniques employed during the study.*

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# Discussion Agenda

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- I. Project Objectives
- II. Industry Background
- III. Overall Customer Impact
- IV. Bottom-line Results
- V. Conclusions

# I. Project Objectives

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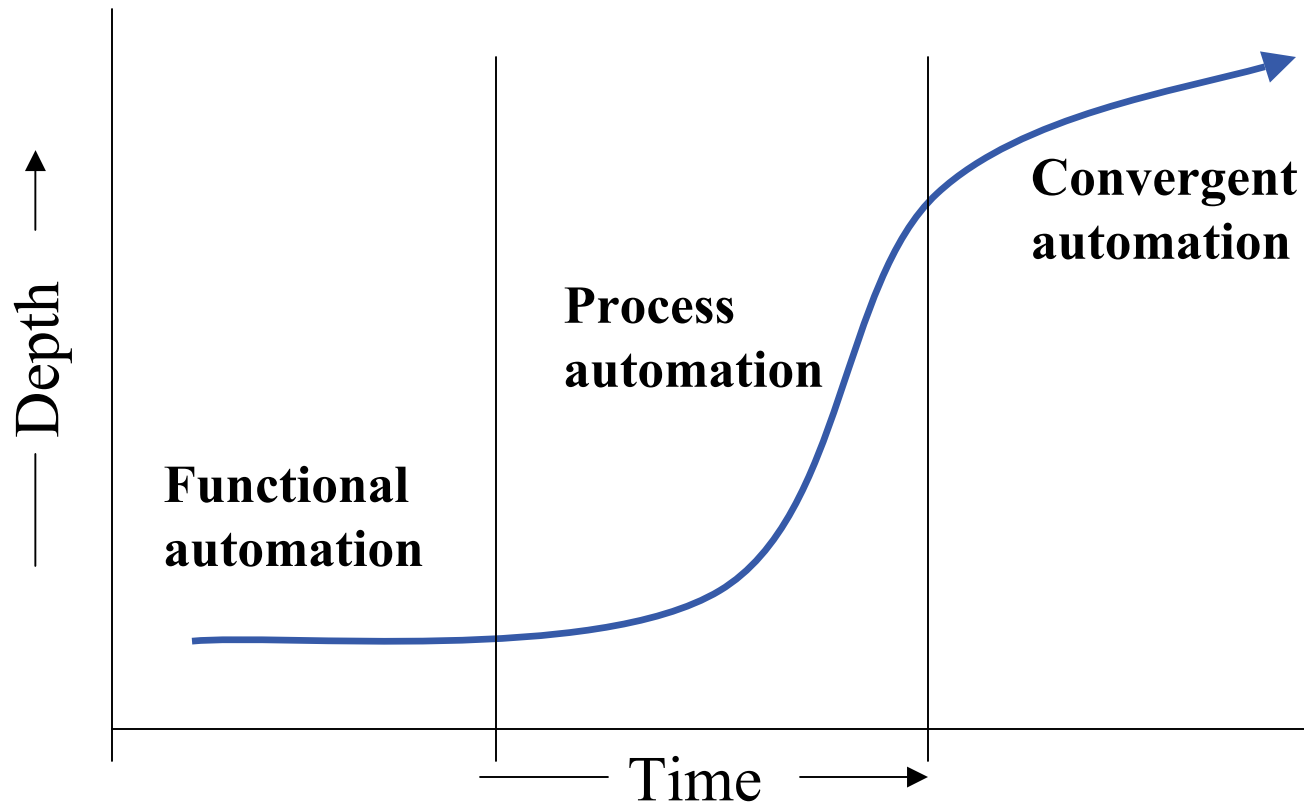
MORTECH, LLC was engaged by Del Mar Database to complete the following objectives:

- Obtain an objective view of DataTrac customer perceptions.
- Determine features of DataTrac with greatest perceived value.
- Compile data relating to cost savings and other tangible benefits for Delmar customers.
- Develop input for enhanced marketing campaigns (e.g., obtain customer testimonials for DataTrac).

## **II. Industry Background**

# Secular Trends Support Del Mar Business Growth

*Secular trend is toward deep, pervasive and intelligent automation.*



# Del Mar Marketing Improved by Presenting a Vision

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Conventional technology screening is a tactical response to current market conditions.

Conventional technology selection:

- **User requirements**
- **Competitor action**
- **Features/functionality**
- **Compatibility with existing infrastructure**
- **Vendor capability**
- **Return on investment**

An important question is where technology will be when lenders investment finally begins to pay back?

# DataTrac Benefits Depend on Customers' Reorganizing Around New Capabilities

- Studies have shown that the increase in output associated with each dollar of input is substantially higher for investment in operational automation than other forms of investment (e.g., production capacity).
- Productivity growth depends in large part on the organizational changes enabled by investment in technology.
- The primary advantage derives from new technology combined with investments in new work systems, organizational redesign, and business process reengineering.
- These changes can be thought of as complementary investments in “organizational capital.”
- Ultimately, the benefits derived from use of DataTrac depend on the ability of customers to reorganize around it.

### **III. Overall customer impact**

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- Overall DataTrac customers interviewed are satisfied or extremely satisfied with the product. All customers interviewed rated the product a 4 or 5 on a scale of 1-5.
- It was noted by most companies interviewed that the single database structure allowed them to achieve excellent operational and financial controls.
- Virtually all customers interviewed reported that DataTrac enabled them to increase loan production while adding minimal staff.
- Greater than 85% of customers interviewed reported DataTrac has helped them reduce the average time to fund a loan.

### III. Overall customer impact

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- Greater than 60% of customers interviewed reported that DataTrac has allowed them to offer borrowers a greater variety of loan programs through better management of loan products

### III. Overall customer impact

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*Customer Statements Include the following:*

- “Prior to implementing DataTrac, our company had no controls to speak of and had no way to measure results. After implementing DataTrac, we were able to grow with confidence that we had the appropriate controls in place.”
- “If your information is reliable, then the information is very powerful. We now have confidence in our data.”
- “The product is amazing— we wouldn’t have a company without DataTrac. You can’t sell a loan without a system”
- “At the time of transition, we were looking for DataTrac to be an interim solution as we grew, but it far exceeded our expectations.”

## **IV. Bottom-line Results**

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- On average, DataTrac customers reported a 63% increase in overall productivity per full time employee.
- Productivity improvement enabled DataTrac customers to increase dollar volume of originations an average of 280% after implementing DataTrac.
- It was reported that DataTrac can improve pre-tax profits by \$30,000 per employee (for the sample interviewed).

## IV. Bottom-line Results

### Average DataTrac Customer Interviewed Overall Profile

	Average 2003 <u>Year-to-Date</u>	
Total Monthly Vol (\$MM)	\$ 113	
Total Monthly Vol pre-DT (\$MM)	\$ 24	(1)
Average Monthly apps (# loans)	1,001	
Average Monthly Closing (# loans)	815	
Average Monthly Closing - Pre-DT (# loans)	369	(1)
Average Loan Size	\$ 199,960	(2)
Closing Ratio	69%	(3)
Number of Employees	173	
Number of Employees Pre-DataTrac	91	

Notes:

- (1) Volumes for pre-DataTrac implementation vary widely and represent various years of origination.
- (2) Average loan size is skewed towards California originations.
- (3) Closing ratio is calculated as average number of loans closed divided by average number of loan applications.
- (4) Companies consist of both retail and wholesale originators.

## IV. Bottom-line Results

### Average DataTrac Customer Interviewed Productivity Statistics

#### Productivity Gain

Loan apps per Employee (annualized no. of loans)	134	(1)
Productivity Gain Overall - Post Data Trac	63%	(2)
Decrease in errors	30%	(3)
Decrease in Fines and Penalties	\$ 600,000	

Notes:

- (1) Companies were asked to estimate the number of average full time employees.
- (2) Productivity gains are calculated as closed loans per employee.
- (3) Several companies were able to estimate a decrease in overall errors as a result of implementing DataTrac.

## IV. Bottom-line Results

### Average DataTrac Customer Interviewed Overall Financial Impact

	Average 2003 <u>Year-to-Date</u>	
Loans Closed per Employee (annualized no. of loans)	91	(1)
Loans Closed per Employee Pre-DT (annualized no. of loans)	54	(1)
Increase in # Loans per Employee	37	(2)
Increase in \$ Volume per Employee	\$ 4,857,838	(3)
Average Profit Margin	0.63%	(4)
Increased Pre-tax Contribution per Employee	\$ 30,604	

Notes:

- (1) Companies were asked to estimate the number of average full time employees.
- (2) Change in productivity between pre-DataTrac and post-DataTrac.
- (3) Calculated based on a normalized average loan size of \$132,558 as reported by the MBA/ STRATMOR Mortgage 2002 Cost Study.
- (4) As reported by the by the MBA/ STRATMOR Mortgage 2002 Cost Study.
- (5) Calculated based on an increased volume of \$4,857,838 multiplied by average profit margin of 63 basis points.

## IV. Bottom-line Results

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Major Product Strengths:

- *Single database structure*
- *Provides enhanced operational control*
- *Enables increased loan production while adding minimal staff*

## **V. Conclusions**

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- Most companies stated a marked improvement in overall labor productivity and overall profits.
- In addition to our initial hypotheses, improvement in operational and financial controls was noted by virtually all companies as a key feature of the product.
- There were substantial benefits noted by DataTrac users when compared to pre-implementation operational environment.