



## *Mortgage Loan Processing at Franklin American Mortgage Company*

The lending industry faces the challenge of managing very large volumes of unstructured documents that contain immense amounts of critical data. The process of classifying and keying data from these documents is labor intensive, time consuming and costly due to the sheer volume and complexity of the documents. In an industry where standardizing forms is not possible due to their varying sources and wide variety, an acceptable solution must be able to cope with this complexity.

Paradatec for Loans provides a unique solution for companies that wish to reduce the manual labor costs and increase the accuracy levels associated with classifying and capturing data from loan documents.

### **Client**

#### **Franklin American Mortgage Company (FAMC) Franklin, TN - USA**

Founded in 1993, Franklin American Mortgage Company (FAMC), a privately-held mortgage banking firm located in Franklin, Tennessee, is a full-service professional mortgage banker licensed to provide residential mortgages across the nation. FAMC, which offers a host of diverse, flexible mortgage packages for customers with a variety of backgrounds and needs, is committed to helping families and individuals achieve the dream of home ownership through its three divisions: retail, wholesale and correspondent.

FAMC offers borrowers, brokers and lenders the strength and security of a forward-thinking national mortgage company, dedicated to remaining an industry trendsetter. FAMC truly values its relationship with each customer and mortgage professional they work with, maintaining a company tradition of responsiveness and personalized service characteristic of a much smaller organization. This philosophy has enabled FAMC to become one of the fastest growing mortgage bankers in the nation.

## Challenge

The Mortgage lending industry presents a number of unique challenges for manually classifying and managing very large volumes of disparate documents which are ubiquitous within this industry.

- It is common for a single mortgage loan to be comprised of up to 500 pages and above of various size documents.
- A mortgage loan may include over 275 different possible document types.
- Manually sorting each set of loan documents can be a very labor intensive and error fraught effort.
- When scanning loan documents, significant labor is required to simply establish the first and last pages of the multiple page documents. This is most often done using the costly process of inserting “document separator” sheets prior to scanning.
- To compete in this extremely competitive business, organizations need to look at cutting costs and streamlining their processes.

Manually preparing a batch for scanning by inserting document separator sheets and manually classifying loan documents was a labor intensive process. Not only is it critical that this process be done accurately, but that it be done efficiently in order to allow downstream underwriting and servicing decisions to be performed in a timely way.

## Project Description

General Information	
Project Name	Mortgage Loan Automated Document Recognition (ADR)
Systems Integrator	Paradatec, Inc. Professional Services
Products	PROSAR-AIDA, PROKEY, Pd Statistics
Publications	Case Study Franklin American Mortgage Company (PDF)

Franklin American Mortgage Company (FAMC) had been looking for an OCR technology vendor to streamline their ADR process and had spent a significant amount of time performing a due diligence process which compared vendors of these technologies.

“We had attempted to use OCR in the past for Automated Document Recognition (ADR). Due to our prior experience and a variety of technical issues we were very skeptical about OCR.” says Michael Rhoden (SVP of IT, Franklin American Mortgage Company), “We asked a number of vendors including the Paradatec team to help us perform an extensive due diligence process which included a proof of concept test with our own documents. Paradatec was the clear winner based on our comprehensive vetting process.”

Because of the extremely large number of, and variations of forms FAMC encounters, they required the flexibility offered by a non-template-based solution. In addition Paradatec offered pre-built mortgage logic which “understands” the vast majority of the document types and variations FAMC was required to recognize. This feature of the Paradatec offering allowed FAMC to rapidly develop a customized ADR solution to their specific needs using the copyrighted Paradatec Mortgage Rules as its foundation.

Today, FAMC scans millions of pages of mortgage documents per month. They no longer require their employees to insert document separator sheets to prepare a loan for the scanning process. Once scanned, the loans are then processed using the Paradatec technology. Documents' boundaries (first and last pages) are defined and their types



are automatically identified. These processes are now done faster and with a fraction of the labor formerly required. To ensure extreme accuracy, sophisticated mortgage lending business rules have been implemented as part of the Paradatec PROKEY exception process.

Paradatec's PROSAR-AIDA is an advanced and unique OCR recognition technology. It is unique in that it utilizes neural networks technology and Artificial Intelligence. PROSAR-AIDA is able to read structured, semi-structured, and unstructured documents. It makes 'decisions' about document characteristics in much the same way as a human being does, only many times faster and without human intervention. PROSAR-AIDA takes a very different approach than other technologies. Because the recognition engine (a Paradatec exclusive) incorporated in PROSAR-AIDA is faster than any full page OCR product on the market, it is able to process each image without making any assumptions. PROSAR-AIDA is capable of processing thousands of documents per hour with a single processor, and provides even further scalability by offering seamless utilization of the latest in multi-core processor technologies, and multi-server environments.

Additional capabilities leveraged successfully at FAMC:

- Verification provides list of very likely document types to further increase speed of verifying exceptions.
- Ability to customize how documents are handled based on the division of business the documents come from.
- Ability to quickly add new document types using the Paradatec exclusive automated learning objects.
- Database lookups and business rule logic checks to ensure the highest degree of accuracy.
- No scripting interface, easily configurable rules to manage FAMCs highly sophisticated ADR processing application.

## Outcome

The project was completed and is currently in production. The system is able to achieve 80% document recognition while keeping error rates low. This has allowed FAMC to position itself for an anticipated future increase in incoming document volume and provides them with a powerful competitive advantage. Today FAMC is processing over 1.5 Million images per month and doing all this more accurately and with less production time than was formerly required.

## Further Information

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