

Loan Servicing Software Replacement**FY2003 Request: \$550,000****Reference No: 35665****AP/AL:** Appropriation**Project Type:** Information Systems**Category:** Development**Location:** Statewide**Contact:** Tom Lawson**House District:** Statewide (HD 1-40)**Contact Phone:** (907)465-2506**Estimated Project Dates:** 07/01/2002 - 06/30/2004**Brief Summary and Statement of Need:**

This project replaces the existing loan servicing software Mortgage Loans Extended (MLX) currently in use by the Alaska Division of Investments (ADI). It also adds additional functionality not presently available in the area of loan origination (application tracking, document creation and management).

| Funding: | <u>FY2003</u> | <u>FY2004</u> | <u>FY2005</u> | <u>FY2006</u> | <u>FY2007</u> | <u>FY2008</u> | <u>Total</u> |
|-----------------|------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| Alt Energy | \$7,800 | | | | | | \$7,800 |
| Child Care | \$2,000 | | | | | | \$2,000 |
| Cm Fish Ln | \$468,300 | | | | | | \$468,300 |
| Fish En Ln | \$67,400 | | | | | | \$67,400 |
| Hist Dist | \$800 | | | | | | \$800 |
| Mining RLF | \$1,100 | | | | | | \$1,100 |
| Small Bus | \$800 | | | | | | \$800 |
| Vet Loan | \$1,800 | | | | | | \$1,800 |
| Total: | \$550,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$550,000 |

| | | | | |
|---|--|---------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> State Match Required | <input checked="" type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input type="checkbox"/> Phased - underway | <input type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required | | <input type="checkbox"/> Amendment | <input type="checkbox"/> Mental Health Bill | |

Operating & Maintenance Costs:

| | <u>Amount</u> | <u>Staff</u> |
|----------------------|---------------|--------------|
| Project Development: | 0 | 0 |
| Ongoing Operating: | 82,500 | 0 |
| One-Time Startup: | 0 | |
| Totals: | 82,500 | 0 |

Additional Information / Prior Funding History:

Funding is charged proportionally to each fund to cover the costs of project. The figures are based on the amount of outstanding debt and # of loans. Total cost was determined by evaluating work performed in FY01 by Wostmann. A survey determined that there was no single package that would satisfy all requirements. Further investigation showed 2 packages as the best potential candidates, prices as follow: Loan Origination 200K, Loan Servicing, 250K, Misc Integration & Data Conversion, \$100K.

Project Description/Justification:

Proposed Telecommunications Capital Project Review Form FY2003
Telecommunications Information Council Policy Committee
Technical Advisory Committee

Loan Servicing Software Replacement

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This project replaces the existing loan servicing software Mortgage Loans Extended (MLX) currently in use by the Alaska Division of Investments (ADI). It also adds additional functionality not presently available in the area of loan origination (application tracking, document creation and management). The replacement software will provide a greatly enhanced ability to track the status of new/modification loan applications and provide improved servicing of loans during their repayment cycle. The project will increase the accuracy and productivity of work performed by the ADI. This project will also make use of the Internet to make borrower's loan account information available for inquiry while at the same time maintaining database integrity.

1. Has this project been previously approved by TIC/TAC?

NO

2. What is the purpose of the project?

The purpose of this project is to replace the antiquated MLX loan servicing system and add the functionality of a loan origination system.

The MLX system was originally acquired from its vendor, Florida Software, in the early 1980s and was last updated by that vendor in 1984. This vendor is no longer in business and as a result in-house staff has maintained and made all modifications to the system since 1984. Over the years many of the shortcomings of MLX have come to the surface and are now requiring an increasingly greater amount of staff time to keep it running accurately. Some of its shortcomings are: (1) It has no inquiry system. ADI programming staff has created an Oracle based system which staff uses to access some of the MLX data fields but the linkage between the two systems is very fragile and requires a significant amount of staff resources to maintain; (2) MLX does not support any type of loan origination/application tracking function. A very limited functionality system has been developed over the years, but it is still basically a manual paper process; (3) There is no borrower inquiry capability in the current system. If a borrower wishes to know the status of a loan they must call the ADI Customer Service section requesting that information; (4) There is limited flexibility in MLX to change to accommodate new loan programs; (5) The MLX property tax/escrow analysis function has significant problems which require staff to manually verify the accuracy of each loan on a yearly basis.

| Project Cost: | Capital: | | | Annual O&M Costs or Savings |
|------------------------------|---------------------|----------------|----------------|--|
| | Prior Years: | FY2002: | FY2003: | |
| General Funds | 0.0 | 0.0 | 0.0 | 0.0 |
| General Fund Match | 0.0 | 0.0 | 0.0 | 0.0 |
| GF Program Receipts | 0.0 | 0.0 | 0.0 | 0.0 |
| I/A Receipts | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Funds | 0.0 | 0.0 | 550.0 | 82.5 |
| (Receipt Supported Services) | 0.0 | 0.0 | 0.0 | 0.0 |
| Federal funds | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Total</i> | 0.0 | 0.0 | 550.0 | 82.5 |

3. Is this a new system development project? Upgrade or enhancement to existing department capabilities?
YES
4. Specifically, what hardware, software, consulting services, or other items will be purchased with this expenditure?

We anticipate the expenditure will be used almost exclusively for the acquisition of software designed specifically for the loan origination and loan servicing functions. Some consulting services will be necessary because most of the programs administered by ADI are unique which may necessitate a significant amount of software customization. Consulting services may also be utilized to provide additional staff training. The ADI anticipates that existing hardware will be adequate to handle the new software package although a small amount of funds

may be utilized to purchase an additional server to accommodate loan account information queries received via the Internet.

5. How will service to the public measurably improve if this project is funded?

The public will see increased access to timely and accurate portfolio information. Individual borrowers will benefit from faster/more efficient loan processing as well as greatly improved access to loan account information.

6. Does project affect the way in which other public agencies will conduct business?

NO.

7. What is the potential out-year cost implications if this project is approved?

As with any major software system(s), there will be continuing maintenance, updating, and upgrading requirements. If a software product is acquired from an outside vendor a maintenance contract is usually required. Typical fees are based on a percentage of the cost of the original software package. It is anticipated that this cost could range between 15-20% annually. Productivity improvements could eventually help offset these costs.

8. What will happen if the project is not approved?

The ADI will continue to utilize the existing system making enhancements where possible using existing staff. With the ever-increasing amount of staff time required to just maintain the current loan servicing system, operability enhancements such as a fully functional loan origination system and borrower on-line inquiry will at best take many years to complete.