



The Software Battle for Mortgage Broker Share Is Heating Up

National Mortgage News

2006-11-06

By Anthony Garritano

The legal battle between rival broker loan origination vendors Calyx Software and Ellie Mae is over, but the market share battle continues, with Ellie Mae's Encompass making significant inroads in just the past year alone.

According to SourceMedia's data division in Washington, Ellie Mae's Encompass holds a 28% market share compared to Calyx Point's 44%. This represents a drastic increase in market share for Encompass, which only had a 3% market share a year prior compared to Point, which had 57%.

Each year SourceMedia randomly profiles 300 brokerages and asks them to share which LOS they use as their primary system. What makes the results so compelling this year is the fact that Encompass has gained 25% market share in just one year.

Chief strategy officer Jonathan Corr explained, 'Bigger firms take time to make decisions and roll things out. The last time SourceMedia did its survey a lot of companies had made the decision to go with Encompass but had not rolled it out. So it still wasn't their primary system.

'This is a close-knit industry and when they hear kudos from their peers about how Encompass is helping them, they'll switch. They see that they have to make a change internally and now that outside people have seen the success Encompass can foster and that we're very customer focused, they move over, too. When a customer asks us for things we become a trusted partner to see to it that they get where they want to be,' said Mr. Corr.

SourceMedia's numbers still show that Point is the leader, but Encompass is making clear strides. 'We're now moving into the mainstream and there isn't anything that's going to stop it,' said Mr. Corr. 'We've earned the right to be where we are because we listened to the industry when we were developing the technology.

'Everybody is more tech-savvy now. If you just look at the general population, e-mail usage is everywhere, everyone has a cell phone, etc. There's a lot of different utilities that have come out over the past four to five years, so the early adopters are there and now these utilities are being perfected and are getting into the mainstream. Brokers aren't afraid of technology. In fact they're embracing it. Technology has just become more a part of our everyday lives.'

Ellie Mae rival Calyx Software refutes the SourceMedia numbers. 'Two years ago, Wholesale Access, one of the most respected third-party analysis companies rated Calyx Point at 68% market share,' pointed out Jody Collup, marketing manager at Calyx. 'Currently we are in what is considered a down market, and while we don't know the actual size of the market today, what we can confirm is that we are still seeing a consistent, regular user base of over 300,000.

'This number has remained consistent over the last couple of years and is re-verified during regular two-week tests,' she noted. 'This number (300,000 users) does not reflect the total number of Point copies purchased or the number of seats that have been purchased. What it represents is the total number of unique users who log into Point during each testing period.'

While Wholesale Access is reputable indeed, they only survey this market every two years. Further, they do not consider large branch operations like Allied, Global, 1st Met and others to be brokers. Wholesale Access considers them to be bankers and does not include them in their study, which skews the numbers in favor of Point because Encompass has seen a great deal of traction among the top 50 brokerages, most of which Wholesale Access does not survey.

'The increase in Encompass adoption rate by brokers and small lenders is accurate,' pointed out Jordan Brown, CEO at consulting and investment banking company MarketWise Advisors, Ponte Verde Beach, Fla., which has no affiliation with Ellie Mae or Calyx. 'The driving force is the maturity between Encompass and ePASS. Encompass has an integrated ordering service to ePASS that is a compelling reason alone for anyone to use Encompass.'

'The race is still on between Calyx and Encompass, but Encompass has won this one and the next move is Calyx's. There's always room for multiple players and it's sticky getting brokers to switch. Calyx offers a low-cost solution, but the relative balance between Calyx and Encompass is going to change. If everything remains status quo, I predict a continued increase in market share for Encompass,' he said.

Large brokerages like Troy, Mich.-based Starpointe Mortgage, which has 35 branches and operates in 10 states, switched to Encompass from Point because of growth concerns. Michael Cosentino, president and CEO at Starpointe, acknowledges that the company came from a Point environment and switched over.

'We were growing rapidly and were having infrastructure problems with Point. With Encompass there were so many advantages. For example, a centralized system is great for compliance. With Encompass you can database and tailor features for marketing as well,' he said.

'Further, with the new professional edition campaigning is very easy. Also, the dashboard allows me to sit back and evaluate my company from several different perspectives including what's in the pipeline, what's closing, what's been sold, etc. Encompass also offers Web training so it was easy for us to train our reps on it,' said Mr. Cosentino.

'Transitions tend to be difficult, but we had the opposite experience and got a lot of compliments. We've doubled our volume year-to-date and we attribute a lot of that to Encompass. It's not just about functionality, it's also about culture. They're huge on support, training and development. When we were on Point we were on the phone for hours. Now we have access to Web training 24/7 and we can always get someone on the phone instantly. Point would come to our area once a quarter and you had to pay to send your staff there.

'You have to look at what you're getting. Encompass is not just an application taker. Also, every time I turn around they're instituting changes, so they're not sitting still.'

Smaller shops like Meridian Financial, San Ramon, Calif., which is a five-loan-officer business, have also made the switch. 'I wanted something where I could monitor all of my loan officer's pipeline in a few clicks,' explained Jodee Brydges, the CEO of Meridian. 'I wanted to see who created what business and the status of that business. With Encompass I'm able to see my production and referral business in a second, but in Point that required a lot of manual rekeying.'

'One of the key features that I love about Encompass is that they give you a market update everyday and where rates are expected to go throughout the day. Also, if that changes I get a voice message so I can lock all my loans accordingly. With Point I had to lock everything one at a time. The dashboard tells you when the rate lock will expire and what approvals you need,' she added.

While Encompass continues to pick up share, Mr. Corr notes that Point can come back from this. 'Calyx can start by listening to their customers. If customers are making the switch, Calyx needs to go out and listen to why they're switching.'

'We listen to the industry and have delivered. It's up to us to lose this momentum and fail by not listening to the customer, and we'll never do that. Listening to the customer is in our DNA. We're not complacent.'

(c) 2006 National Mortgage News and SourceMedia, Inc. All Rights Reserved.
<http://www.nationalmortgagenews.com> <http://www.sourcemedia.com>>