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BY STEVE BERGSMAN



**Dominic "Don" Iannitti,
DocMagic founder and
president**

DocMagic's Success



This document-preparation company earned a big following by staying ahead of the curve on technology and customer service. Now, it is known for its valuable compliance features as much as anything.



During the holiday season in 2009, a large box arrived at the headquarters of Evergreen Home Loans in Bellevue, Washington. When it was opened, 40 stuffed-animal rabbits spilled out. The bunnies were handsomely attired in *Star Trek* outfits and appeared with a phaser in one hand and a communicator in the other. And those little puffy things attached to the bunnies? Those were tribbles—from the famous “The Trouble With Tribbles” episode of the original *Star Trek* series. ■ Joe Moley, executive vice president at Evergreen Home Loans, took a quick look at the familiar mailing label on the carton, but he already guessed who sent it—Document Systems Inc., aka DocMagic, Carson, California. “I assumed when we first got a carton of bunnies many years ago, that just two were packed—but in the course of the mailing, they just started reproducing,” jokes Moley. ■ Actually, Moley knew 40 rabbits would arrive because Evergreen Home Loans has 40 registered users with DocMagic, and they each get a bunny. ■ About two years after Document Systems was formed in 1988, it created a new software package called DocMagicsm, with a magician’s top hat as the logo. Then someone decided that a rabbit, which represented new ideas, should come out of the hat. Thus were both a mascot and marketing concept born.

Every year, DocMagic sends the rabbits to its customers and every year the theme and bunny attire are different. The tribbles on the doll represented the “troubles” in dealing with new Real Estate Settlement Procedures Act (RESPA) disclosure requirements, and the phaser and communicator meant the rabbit—i.e., DocMagic—was ready to help clients with their tribbles . . . err, troubles.

The real magic at DocMagic is that it has not only survived but has prospered over two decades in business. In a non-glitzy side of the mortgage business—can anything be less exciting than document production?—DocMagic has come to dominate. It has done so by staying one step ahead of the cataclysmic technology changes that put less-vigorous companies out of business.

With DocMagic, the company’s flagship software product, Document Systems “managed to get ahead of the industry 15 years ago,” says Sharon Grady, a vice president at Platinum Home Mortgage, Carson, California.

Starting with Irwin Mortgage Corporation, Carson, and all the other predecessors to Platinum Home Mortgage, Grady has been working with DocMagic almost since it first opened its doors. “We’ve been with them since the days when they were still drawing docs and sending them out via courier. Probably still in the days of the thermal fax,” Grady laughs.

She adds, “The people at DocMagic saw what was happening, and captured the ability to develop software that would enable lenders to direct their own document-production volume and manage their own pipeline.”

Basically, DocMagic provides closing-document products and services to the national mortgage industry.

Early years

When the company was founded more than two decades ago, mortgage loan officers completed applications with clipboards and pens, recalls Dominic “Don” Iannitti, DocMagic founder and president. Since then, as Iannitti boasted at his company’s 20-year anniversary, “DocMagic helped lead the industry into the future through the development of DocMagic software, which is still the easiest way to get completely accurate, fully compliant mortgage loan documents for thousands of loan programs.”

DocMagic began as an efficient and simple piece of software designed to let brokers easily produce and print out error-free closing documents. Today, DocMagic has evolved to offer a range of flexible solutions that provide millions of fully compliant disclosures and closing-document packages each year to originators of all sizes. Those offerings include DocMagic Online™, DocMagic for Windows®, DocMagic Direct™, DocMagic eForms™, DocMaster™ and DocMagic eDisclosure™.

In addition, the company introduced a product called LoanMagicsm about six years ago specifically designed for loan officers. “Before, we were primarily at the closing portion of the process,” says Iannitti. “We decided to jump to the beginning of the process. LoanMagic is a sales-presentation tool for loan officers that handles contact management, scheduling, loan program comparisons, lead management and marketing—essentially everything a loan officer needs.”

The company probably has 3,500 users on LoanMagic systems, Iannitti guesses. “That’s a system we enjoy adding function and features to,” he says.

Evolution

Iannitti was born and raised in Southern California. He went to school locally at California State University, Long Beach (also known as Long Beach State), and when he entered the work force and then when he founded his company, he continued to keep it local. The history of

many of DocMagic’s long-term employees is almost the same: local folks who never geographically strayed.

Alan Brisbane, enterprise customer director, was one of DocMagic’s first employees, getting hired back in 1988. “I knew Iannitti since high school through his older brother,” says Brisbane. “We met again at Long Beach State. Don called me up and said he had some financing lined up for this business, and asked if I could come on board and help get it going. I told him I would do that for the first six months, and then I would be moving on. That was 22 years ago.”

After college, Iannitti found himself working for a Los Angeles company that created forms, mostly for mortgage clients. “It was like a speed-typing company,” Iannitti says. “Back then, it was amazing to me that you could data-enter information, the computer would reformat it and it would come out the back end as a document. And that was a marketable service.”

Iannitti decided he would start a similar business, but solely for the mortgage industry because of built-in volume—already back then, a mortgage package consisted of at least 15 documents. Also, it would be same-day service. A customer would take a data-entry sheet, type or hand-write all the data that were needed, and then have the sheet faxed or sent by courier to DocMagic, which had programmed into its computer certain business rules that determined what documents would be applicable in the closing package.

“When we opened our door, we introduced same-day service in the South Bay area of Los Angeles,” explains Iannitti. “We would get the order form, produce the documents, and by the afternoon we would have the document package back to the mortgage lender so they could sign clients.”

When the company was founded more than two decades ago, mortgage loan officers completed applications with clipboards and pens, recalls Dominic “Don” Iannitti, DocMagic founder and president.

This is the way the company originally worked, Brisbane explains. “We received our orders on a worksheet. Don and I would key in the orders by hand and check the data. We would run them through Xerox impact printers and then I would get into my white Fiat Spider convertible and drive around Los Angeles to deliver documents.”

That business model would have doomed DocMagic to the corporate scrap heap fairly quickly if Iannitti didn’t

Riding the non-traditional loan wave

The company was good at staying ahead of trends. When the adjustable-rate mortgage (ARM) business expanded in the last decade, especially with the introduction of various exotic formats such as interest-only ARMs, DocMagic became the go-to provider.

“We originally did some of our own documents, but for all the ARM products we used DocMagic,” says Vickie



get ahead of the technology. His novel idea was to give clients more flexibility and control their own data entry. So, one of the company’s computer specialists wrote a disk operating system (DOS) program that allowed customers to enter data, transfer data through a modem and print it out on their own printer.

In 1990, DocMagic employed about a dozen people. Once it began to develop software, growth picked up substantially and by 1994 the company boasted 30 to 40 employees.

“When the Internet started stabilizing in the mid-1990s and we started sending data through the Internet, our business exploded because we could start reaching out beyond the western states,” says Brisbane.

Today, Brisbane adds, “We do loans in all 50 states [also Washington, D.C., and U.S. territories]. It’s just grown and grown.”

Document Systems’ Alan Brisbane, enterprise customer director; Melanie Feliciano, assistant general counsel; Iannitti; Michael Zarrilli, operations manager; and Michael Morford, systems integration manager

Howell, funding manager for Prospect Mortgage LLC, Sherman Oaks, California. “Today, we pretty much use DocMagic for almost everything except the 30-year, fixed California loans.”

In a far simpler time and place, small mortgage companies could print their own documents, Platinum Home Mortgage’s Grady adds, “but with the advent of the monthly ARMs, negative-amortization ARMs and some of the more exotic products, it was no longer a matter of filling in the blank—it was Truth in Lending [Act] requirements, FHA [Federal Housing Administration] requirements, compliance and payment schedule. That’s

a lot of stuff the canned LOS [loan origination system] software doesn't provide to the lenders. If the LOS didn't have the back-up from DocMagic, some of the documentation wouldn't be right."

Along with the more exotic ARM products came subprime mortgages, and DocMagic flourished.

"Several years ago, there were many challenging loan programs like option ARMs and negative-amortization loans that were very complex, and we were the only company that could consistently perform the difficult computations required to produce the documents," says Iannitti. "We have a very aggressive software-development staff, and lenders come to us because we excel with complex programs and developing solutions."

DocMagic had a substantial chunk of the subprime business, Iannitti confirms. "It was our business. Now we have a substantial amount of the FHA and GSE [government-sponsored enterprise] business. We go where the market needs us."

Revenue at DocMagic touched apex in 2006, adds Iannitti, and then dropped 25 percent the next year with the collapse of the subprime mortgage market.

"On average, our customer service gets about 200 calls a day," says Michael Zarrilli, the company's operations manager. "When business peaked in 2006, we were taking 300 to 500 calls a day."

In July 2007, it was like a faucet was turned off, says Brisbane.

Despite the tough times, DocMagic did not lay off any employees. It was the right move, because after 2007 "business climbed 10 [percent] to 15 percent annually," says Iannitti.

"We still have about 10,000 customers collectively for all DocMagic products," Zarrilli reports. "It's a huge customer base. We aren't back at peak yet, but we are going in that direction. I expect to be back at peak in 2010, as we are definitely experiencing increases in volume and new customers coming on board."

The company recently began hiring again, especially in the sales department. "A lot more customers are calling us because of the new RESPA guidelines," Zarrilli observes.

(As of Jan. 1, the Department of Housing and Urban Development [HUD] requires loan originators to provide borrowers with a standard Good Faith Estimate [GFE] that clearly discloses key loan terms and closing costs, and requires closing agents to provide borrowers with a new HUD-1 settlement statement.)

Compliance

"Probably my biggest fan base for DocMagic would be the fact that their legal department is crackerjack," says Platinum Home Mortgage's Grady. "DocMagic is a company I can rely on so when industry changes come out, they are right on top

of it. If I don't know something, I can either find it on its Web site or call its compliance department directly."

As DocMagic steams into its third decade, to call it a document-production company would probably be a misnomer. Compliance expertise and the creation of loan documents that meet an ever-increasing number of federal, state and local regulatory demands is where growth will come from in the future.

"We have a strong legal staff, and they have a network of businesses and resources that they use to keep us current on compliance," says Brisbane. "We really work as an educational resource for a lot of our customers. For example, our customers are relying on us to educate them on the new RESPA regulations."

Iannitti likes to joke that when he opened the doors of his company, "we were psuedo-attorneys."

Back then, the company relied primarily on forms from organizations such as Fannie Mae and Freddie Mac. Over the past decade, the importance of compliance has been on an upward climb, says Iannitti.

"The business of document production has become extremely complex, which is why we maintain on-site a legal department with a staff of attorneys and paralegals as well as outside counsel."

The legal staff at DocMagic, including three full-time attorneys, now numbers 13, notes Melanie Feliciano, assistant general counsel.

"Although we started out as essentially a document-preparation company, the company has evolved more into a compliance company," she says. "That's how our customers view DocMagic, and that's why DocMagic is

compliance-centric in its offerings to its customer base. The compliance audits incorporated into the DocMagic systems, coupled with our compliant loan documentation, provides our customers with the assurances that they will not be making a high-cost loan, the disclosures will be MDIA-compliant [Mortgage Disclosure Improvement Act-compliant] and that the new GFE and HUD-1 requirements are met."

"In today's environment, the biggest thing that helps us is the compliance aspect," says Evergreen Home Loans' Moley. "DocMagic's documents are legally compliant. I'm never going to have a document issue when I go to sell a loan in the secondary market, because I know the documents are going to be compliant."

The compliance issue has become even more important over the last two to three years after the housing market crisis of 2007, and the industry is entering a new decade at a time when there is consistent and ongoing legislation directed at the mortgage business as well as constant regulatory changes.

"From a compliance perspective, I would need a full staff of attorneys if we were going to do this in-house," says Moley. "It is much cheaper and cost-efficient to pay

The company recently began hiring again, especially in the sales department.

the per-file fee for documents. It's nice to have that piece taken care of through outsourcing."

DocMagic's auditing systems are used hundreds of thousands of times every day to determine whether or not a transaction is in compliance, even before the documents get created, explains Iannitti.

There's no additional charge for DocMagic's compliance-validation services—it's the free portion of the company's service package.

"Our integration partners enjoy unlimited access to our auditing systems," Iannitti says. "Our customers appreciate this, because it gives them the assurance and confidence they need without nickel-and-diming them. It's important that we enable our customers; we're here for the long haul."

In effect, loan origination systems, by integrating with DocMagic, can use all of its tests, auditing and client services, and there doesn't even need to be a document associated with the usage. That is the value-added in DocMagic relations with all its customers.

"If as a company you engage your personnel to monitor federal and state regulations for quality-control purposes, it could be done—but it is not cost-effective," says Platinum Home Mortgage's Grady. "It's far more cost-effective to put it in the hands of DocMagic."

How big?

Document production for the mortgage industry started out as a fairly basic data-entry business, but over two decades it has become extremely complex. A few independent firms have survived by quickly adapting new technologies and integrating valuable new services such as compliance.

There are fewer players in today's environment, says Moley. "We used to get calls from various companies. Now, there are really just one or two current competitors with DocMagic, which has cornered the market and has done so correctly," he says.

No company seems to have done a better job of surviving in this field than DocMagic.

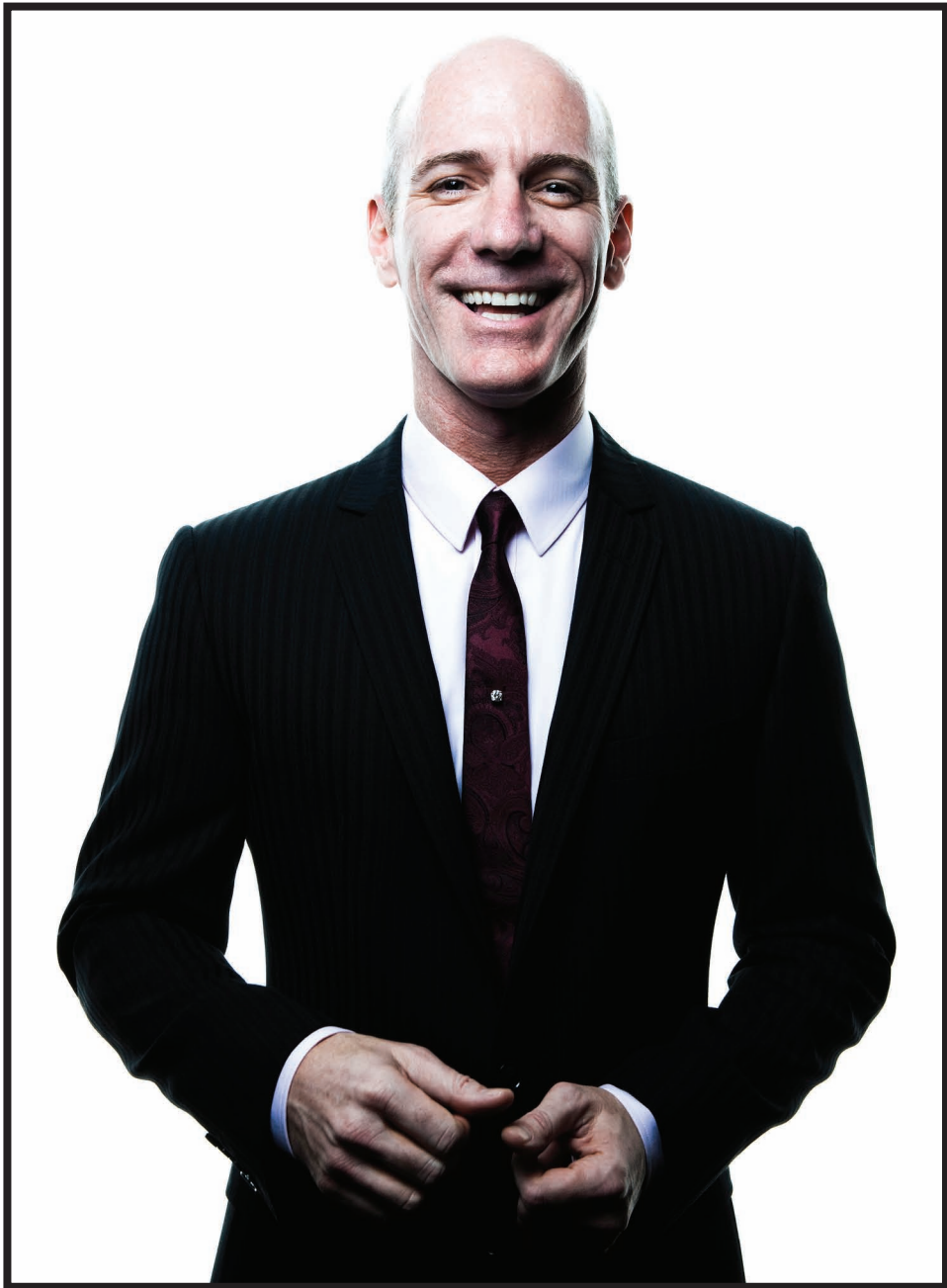
"There are a fair number of companies in this field," says Iannitti. "We think we have the leading market share."

The question is, how does the company know that? Has there been an industrywide survey? Well, not exactly.

DocMagic arrived at this conclusion through a more oblique process, if not third-party methodology: Back in

2005, two top-10 mortgage lenders made the decision to outsource, and both wanted to determine which document-production company would get its business. In particular, the two companies wanted to see if there was a company in this particular field that would be around for the long haul.

"The two large companies undertook a study of their broker base, and one study suggested we controlled 60



percent of the document-production business and the other estimated 65 percent," says Iannitti.

Those weren't the only surveys.

"At one point we did some acquisition studies ourselves," Iannitti confides. "We had gotten to the point where we wanted to see if it would make sense to acquire competitors. I can't go into detail, but I can tell you we did look at our closest competitors and there weren't any of them near 20 percent of the business."

It turns out the biggest chunk of the document-production business is done in-house at the country's biggest lenders, but Iannitti asserts, "Of what is outsourced, we serve the lion's share—and I consider that to be the biggest indicator of how the business is doing overall."

The future

With new staff additions, DocMagic ended 2009 with about 80 employees. And considering the sales staff is in a growth mode, Iannitti expects other departments to follow with expansion as well.

"We are seeing a dramatic increase in the number of clients coming on board because of our expanded compliance offerings," says Iannitti. "With new regulations and disclosure requirements, there has been a tremendous amount of growth here—and that growth will continue as the industry wraps its arms around the changes."

That means the company will outgrow its long-time Carson headquarters, where it leases 15,000 square feet. In 2010, DocMagic expects to move its corporate offices to a new location twice the size of the current one.

DocMagic's growth justifies the expense of taking on extra space. "Revenues peaked in 2006, but we are on track to surpass that mark in 2010," says Iannitti.

And what are those revenues? Because DocMagic is a private company, it doesn't report its numbers publicly.

"While I don't intend to reveal our gross revenues," says Iannitti, "I will say I'm pleased with our annual rev-

enue and our profitability. We have been able to expand based on our growth, without seeking outside capital. And we have been wise with our expenditures, making sure to create adequate reserves, to which we continue to add. DocMagic has built up such sufficient reserve income that the company could literally run with no income for several years or longer."

What about corporate changes? Is there a public offering in the future?

"I would prefer to stay private," Iannitti responds. "I get two to four calls a week from venture-capital companies wanting to buy a percentage of the company."

As noted, DocMagic also investigated buying other companies in the same field without finding anything compelling. "Purchasing for the sake of market share is out of the question," Iannitti says. "At this point, there hasn't been anything compelling, but we are ready if the opportunity arises."

DocMagic is unusual in one other regard: It doesn't use pre-determined release schedules for products. Basically, when a client wants something or a change is required for some other reason, its technicians set about the task.

"When we create a product," Iannitti says, "it's not how much money we can earn from it, but about the problem it solves." It may sound philosophically naïve, but economically the Iannitti game plan seems to be working. **MB**

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