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Tearing Down Operational Barriers

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In the financial services industry, the appetite for real time processing and instant information is voracious. Lenders want the right data in the right system at the right time. They are acutely aware that even fractional seconds of delay, when multiplied across millions of transactions per year, are costing them real dollars and frustrating both customers and employees.

One promising solution is supply chain management (SCM). Real-time data sharing with service providers and other participants in the lending process is a notable hallmark of SCM. By seamlessly delivering accurate data to disparate systems, whether internally or externally, lenders predict they will lower their costs and improve borrower experience. But first, they have to tear down operational boundaries that exist within their own organizations.

Operational boundaries plague financial institutions, but not because of an unwillingness to re-think operating paradigms. They persist largely because boundaries are reinforced by application code that automates work processes – applications that can not share discreet capabilities or data. Financial institutions know where they want to go, but continue to fight technical hurdles that slow their ability to get there. In the meantime, lost profits and missed opportunities continue to mount.

As a stop-gap measure, some lenders have built traditional data warehouse solutions to facilitate information sharing between disparate systems, and certainly this approach takes them part-way to their goal. But, lenders must also have a transport mechanism to move the data from such a warehouse (or data mart) to the right system in a timely fashion. Unfortunately, this is where many organizations get bogged down in a costly interface nightmare, as they tediously design and build proprietary, “unleverageable” communication links between their core systems, data repository and hundreds of ancillary applications that need access to better data.

The Web Services Difference

In a Web service, there are three participants: 1) The

Consumer – an organization (or its application) that invokes the Web service and receives its benefits 2) The Producer – an organization that builds and runs the Web service; and 3) The Registrar that tracks which Web services are available, where they are and how to get to them. The Registrar – by definition – governs access.

Often, a lender operates in two or all three of these participant ‘roles’ (Consumer, Producer or Registrar). In this case, Web services are ideally used for Message Based Application Integration. Web services can help span multiple systems and provide responses to the “Consumer,” seamlessly bridging the gap to provide the right data to the right place at the right time. For example, Fidelity has successfully used Web services to bring accurate tax line information from systems traditionally used after the closing to the point of sale. Savings from this effort alone can be thousands of dollars per loan.

Before Web services, message brokers were the tools most often used to tackle integration projects, and in many ways, nothing is new. However, Web services has improved upon message broker solutions in ways that have resulted in wide-spread adoption:

- Web services use HTTP to be firewall friendly and payload agnostic;
- Web services employ XML as an encoding schema more widely adopted than proprietary formats;
- Web services provide free versus fee economic value proposition;
- Web services use the Internet concept of URLs to address object identification; and
- Most importantly, Web services deliver on the promise of interoperability.

Web services, as part of a Service Based Architecture, appear to have the staying power to help institutions remove operational barriers and position themselves for the real time SCM environment. Not only will they benefit from the seamless free flow of information, but the marketing and operating strategies that are possible as a result have the potential to change the frontier of our industry.

About the Author

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