



8 must ask question before entering a branch relationship

1. Funding Capacity, who, how many? Warehouse lending has declined significantly in recent years. This trend has presented a danger to a source of capital for many mortgage lenders. Warehouse lenders going out of business, terminating, or adding restrictions to their warehouse lines of credit are causing independent (non-depository) mortgage lenders to struggle to maintain their ability to serve borrowers. Warehouse lenders serve as a crucial short term funding source helping to maintain adequate capacity for all forms of mortgage originations, including home purchases, refinances, and other transactions. It is important to ask the question; who are your credit facilities with, how long have you had those relationships, and are they traditional mortgage warehouse facilities or open lines of credit.

2. Sense of Urgency, does the staff get it? Is there any type of guaranteed turn times for retail business? Retail business tends to carry less fraud, is easier to underwrite, and performs better, it should be treated that way! What mentality does your fulfillment team have? Do they understand what a closing date is, or a loan commitment date for that matter? Retail only firms tend to carry a retail only mentality, meaning... in a sense a retail originator is captive business. That originator has to send their business to their employer, (it is a hassle to switch employers, especially if you get a large amount of referral business). Retail only shops understand this and service levels tend to be much lower than shops that have their production diversified into several channels; retail, wholesale, and correspondent. A fulfillment center associated with all three channels understands the importance of earning business. Business is in no way captive when dealing in the wholesale

and correspondent channels as these channels demand service. If there is no service business will move elsewhere, quickly!

3. Direct Lender, are you sure? Time and time again you run across lenders that claim to be "direct"... what does that mean, do they really have Agency approval (FNMA, FHLMC, & GNMA) or are they direct just because they close in their own name. It is important to ask the question, "do you have Agency approvals" and more importantly if yes, "do you use your agency approval". The importance behind utilizing the agency approval is not because of pricing execution and not necessarily because of speed... it has everything to do with creating confidence in your underwriters. If an underwriter is always worried about missing an overlay from an investor, ie. Chase or Wells Fargo they will always underwrite scared, they'll be worried about investor buybacks which translates into over-conditioning and a hassle filled loan process. On the other hand if an underwriter has that "magic feather", the ability to deliver direct to the agencies, they can make more aggressive, "common sense" decisions and not worry as much about investor pushback or buyback.

4. Scenario Support, is my deal a deal? We all have every intention of keeping up on changes within our industry and staying plugged in to training events. The reality is if we are out producing, which is what we should be doing, we can't possibly keep up with everything! In our increasingly changing industry it is important to have a support team that can answer guideline and structuring questions quickly and accurately... answers that you can take to the bank, answers that your referral partners can count on, and answers that the underwriter will defer to!

5. Where is your operations center, I always wanted to go to... Regionalized operations are a must, what good is an underwriter sitting up in Michigan or Iowa if you're down in Florida or out in Arizona. They certainly can't understand your market the way they need to, especially if they are underwriting for all 50 states. There are too many factors, lien theory vs title theory, customary fees, appraisals and comps, etc. The list could go on and on! It is important to ask the question; where are my underwriters located, how many fulfillment centers do you have, do your operation centers have the ability to overflow to each other, will my underwriter understand my files!

6. Do you care if I make money, will you help... Most of these retail branching shops care about one thing and one thing only, will this branch add to my bottom line! Obviously profitability is important but so is a partnership and a growth strategy. If an employer is not interested in your growth and taking a part in helping you recruit and on board new loan officers and production it becomes a one sided relationship. It is what can you do for

them, not what can we do for each other! Who wants that! An employer should have a vested interest in your growth and success... if not you become "just a number" and "just a number" is very expendable! The question should be asked, "Outside of fulfillment, how are you and your company going to help me build my branch business"?

7. Who is my competition.... my own company.... really? We have enough competition in our industry; depositories, brokers, other mortgage bankers, why would you want to compete with your own company. Many of these "mega branching" companies are willing to approve any individual with a desk, phone, and computer for a branch. Do you really want to be competing with your own brand on transactions? Do you really want the same company having multiple locations within your footprint, possibly effecting your reputation? The following questions must be asked... how exclusive is your branch program, are you willing to put a branch on every corner, If the answer seems even close to yes or the company's standards for branching are low... run away! What are your minimum standards, volume, units, etc? Do those standards line up with your production and experience... are they way too low? If they are, you may be dealing with a company that is willing to bring on anyone which could possibly, negatively impact your turn-times, pricing, and more importantly your reputation!

8. Corporate support, what do you do for me? What exactly does corporate help me with and how well do they do their job? Accounting and human resources tend to be the two main functions that are important. First, accounting, what system do they use, is that system real time? How granular do their commission breakdowns get? Are the branch managers stuck filling out and submitting commission reconciliations? How soon do I get my money after I close? Second, human resources, how fast can I onboard a potential recruit? Is there a cost to set up a new employee? I have seen many branch models that charge as much as \$350 to setup an employee! There are many other factors to think about when it comes to corporate service, the above should allow you to see a company's true colors, very quickly!

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