



# A Special Look at Growth Strategies for 2012

## Keeping Your Edge in 2012

By Erik Wind

I've written previously on how by the time the holidays are here, the year has already ended. It's the time to spend time with family, friends and those business relationships we really appreciate. But, it can also be a time for reflection, goal-setting and planning for the new year.

The year 2012 is going to be a great challenge for many of us. Lending guidelines are changing faster than ever, while foreclosures and short sales aren't going away any time soon. The following areas are two of the biggest challenges originators can face next year. By being prepared, you can turn these adversities into opportunities while others continue to struggle.

### Dealing with changing guidelines

There's often a significant period of time between when a borrower gets pre-qualified and when they actually apply. Since guidelines are changing frequently, originators often find themselves getting contacted by those who were pre-qualified weeks or months ago, and being forced to tell their would-be borrowers that the pre-qualification is no longer valid. This can lead to mistrust between the borrower and originator and a setback to the borrower who may have been ready to move on a real estate transaction.

By diligently keeping in touch with borrowers whom you pre-qualified, you can inform them of these guideline changes on your terms, rather than reacting to them when the borrower comes back to you. With this strategy, the perception changes from mistrust and frustration, to a mort-



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gage professional who is staying on top of their pipeline. The borrowers will appreciate your initiative.

### Educating your referral network

In addition to your problems, real estate agents in your referral network will have their own set of challenges to deal with, particularly when it comes to short sales. If it's their problem, then it's your problem too.

Stay one step ahead of the changing short sale and real estate landscape. Don't expect real estate agents to know what they have to know to close a short sale smoothly. If you can educate your agents on how to easily close a short sale, they can close more business; leading to more originations for you.

Victor Pascale of Continental Home Loans spends considerable time to educate his real estate agents on the short sale process.

"I can only imagine how much commissioned real estate agents would have lost if I wasn't there to help them with their short sales," said Pascale.

Victor gets his real estate agents the education and tools they need to make short sales just another transaction.

While it's never bad to be proactive, 2012 will be a year where taking the initiative to educate your referral network and provide them with resources to make more money will pay dividends throughout the year.

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## A View Into 2012: Looking Back

By Erik Wiley

Much like today's other surviving independent mortgage origination firms, Pacific Residential Mortgage LLC (PRM) has endured the business changes, housing environment correction and compliance overhaul that our entire industry has experienced over the past five years. While this has not been without pain or sleepless nights, we did it without changing our overall business philosophy and only slightly altering our general business plan. Necessary course corrections are continually being made and should be. From these changes, we have learned how to adapt to current conditions and turn a profit from less-funded volume, all the while, staying focused on our loan originator/employee-centric, relationship-driven referral model.

As a point of reference, our firm operates in four states with a staff of approximately 130, half of which are full-time loan originators (LOs). We are a purchase-oriented operation and we earn almost all of our business off of referrals from past clients and real estate professionals. This business strategy hasn't changed over the course of our seven years and will remain the basis of our business model going forward into 2012.

### Bending, but not breaking

The purchase side of the referral-based model of our business took a beating these past few years. As refinances ebbed and flowed, we discovered that too many of our origination staff had let their purchase business deteriorate. The causes for this vary. Refinances were the low-hanging fruit. Online lenders and big banks/servicers effectively competed for refinances and even purchase



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business by efficiently targeting their existing customer base. Long-term relationships with Realtors yielded diminishing results, as Realtors themselves experienced a slowdown or left the business. Some experienced Realtors made the shift to real estate-owned (REO) listings. Clients that haven't shopped us in the past started doing so. And then there's the media reporting that independent mortgage companies were unsafe and unscrupulous and that banks and credit unions are the secure lending resources. Politicians vilified "mortgage brokers," while at the same time, demonstrated that they didn't understand the home loan process or consumer behavior in the slightest.

Rather than allow these issues to break us, our 2011 business plan focused on recruitment of quality originators and processing staff with an eye to maintaining profitable levels of production. We also focused on the sustained employment of our sales support staff which includes our corporate, mortgage banking, IT and marketing groups. I mention this because medium- and large-sized companies need to have significant structure in place in order to successfully operate as a mortgage banker while supporting LOs. Today's higher costs of originating a closed loan, plus the compliance and quality control (QC) overhead that goes along with daily operations, is much more expensive than in the past. All of these changes mandate that LOs receive increased company support, none of which is available for free or easy to come by.

Our overall 2012 plan will focus

*continued on page 42*

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on organic internal growth, while selectively adding origination staffers who share our way of doing business. This organic growth plan has already been put in place and will be refined in 2012 to address business conditions.

## The game has changed ... or has it?

A lot of people in and around our industry describe today's marketplace as very different from what they consider a "normal" marketplace. It's true, today's loans are harder to find and harder to fund than in any time during most of our careers. Then again, 2005 was not normal and neither was 2003. In fact, it hasn't been normal any time since 1998 when our industry embraced credit scoring and auto-

mated underwriting engines (Aunt Fannie and Uncle Freddie have probably been regretting the initiatives they pushed upon us back then).

So what was normal? Normal was when a loan originator had to fully document a consumer's income and assets and then fully verify that documentation. Appraisals were performed and underwriters actually scrutinized those appraisals. Federal Housing Administration (FHA) loans required FHA inspections. Lenders were careful in handing out hundreds of thousands of dollars and they actually expected to be paid back in full. Debt ratios above 36 or 41, depending upon the loan type, required teeth-pulling in order to receive loan approvals. We are still looser today in many of

these categories than when I got into the home loan business 17 years ago.

Normal was also when, in a purchase-oriented marketplace, LOs actually had to go out and "originate" a loan. Personal relationships were essential and quality service was key.

The game itself really hasn't changed. What has changed is how we all will individually focus on the "normal" of how loans are originated.

## Getting up close and personal

In focusing on what we see as "normal" and "essential" for business in 2012, PRM will emphasize having our entire sales team be face-to-face oriented instead of conducting business through other more passive means. Our management team is engaged in coaching calls and live meetings with our mortgage bankers, not as micro-managers, but as team leaders to enable individual success, but that is not enough. If we are asking our sales team to maintain this type of behavior then we, as management, must also lead by example. Effective sales managers can no longer be passive—they must truly manage sales and sales-related activity, as their titles suggest. This creates a sense of accountability from the top down that is necessary to compel originators to step out of their comfort zone and get into a win-win mindset.

Face-to-face communication is the way to go if you expect to earn referred business. This means literally getting face-to-face with consumers so that they become clients. It means wearing out the rubber on your soles and your tires to get in front of referral sources such as Realtors and other real estate professionals. There is no substitute for frequent face-to-face interaction if you intend to create long-lasting and profitable relationships. Salespeople and their management need to practice this method as often as possible.

If you cannot be face-to-face, the phone is the next best communication option for sustaining and building relationships. It is still you coming through on a live and personal basis versus something less personal like an e-mail, a text, a blog or something similar. Disciplining yourself to

have someone regularly hear your voice, even if they cannot see you live and in person, will make a difference over those who don't get up close and personal.

## Refinances are not where professionals put their energy

Here today, gone tomorrow ... my firm's long-range view has been that refinances will diminish in 2012. Given that view, a year ago, we channeled energy to expand our purchase-business. Ask yourself the following, "If rates go to six percent, what happens to my pipeline?" Be honest with your answer. That's what we did and we didn't like what we saw. Today, thanks to hiring outside sales trainers while performing our own internal sales coaching, we are achieving our goals with stronger sales results due to LO buy-in. Simply stated, this sales-focused development activity works.

## Picking up dollars and stepping over nickels

We all know it is extremely difficult to predict mortgage loan volume over the next 12 months. This reality necessitates that our revenue and expense structure be flexible in order to handle less volume or to support increased volume. Over the years, our firm has made continual enhancements in this regard and will continue doing so going forward. We also know that spending money on developing future sales isn't tied just to just running ads and circulating product flyers—these are support elements in our marketing platform. Investing money, appropriately, to enhance our client experience, to make loan origination more efficient, and to further develop a strong, relationship-driven sales force able to originate loans, will all be key to our success in 2012 and beyond.

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