igniting ideas for the mortgage industry.

matchbox

Matchbox OP(erations) ED(itorial) Page

Thoughts and Observations On The Market

What We Do

Fulfillment & Advisory Services:

Mortgage
Analytics
Technology
Consulting
Hedging

Join Our List

Join Our Mailing List!

Or Pass this along to a friend!

Quick Links

Learn more about us...

August 7, 2014

IGNITE
BECAUSE DATA MATTERS

The founders of matchbox have created a sister company that is focused on building custom technology products that focus on streamlined LOS integrations. Simply put, our goal in this venture is to make your life MUCH easier. The company is Ignite Integration Solutions or IGNITE for short. If you want to learn more about its offerings, please let us know.

With the football season approaching there is a lot of talk about new coaches with new teams. Our man Charlie Strong probably gets more air time in Texas than Jim Cramer on CNBC. Well these coaching changes often come with changes in offensive and defensive coordinators as well. Football is a true team sport with every individual's success being reliant on others. Is mortgage banking any different? And even the best players will only do so well without strong leadership. So today we're asking, do you have an OC or DC, or both?

We strive to keep you all well-informed, as we share our views. Staying a step ahead and running a tight operation are the keys to success in the mortgage banking world, and we are here to help bankers do so. We hope you find our newsletter useful, and if there is anything you want us to cover, please let us know.

The COO - Playing Offense or Defense?

The Chief Operating Officer (COO) or Head of Operations is a key component in any organization. With our focus on operational efficiency we interact with a lot of COO's and see how they support and facilitate the origination in various capacities. In football, the coordinators are responsible for all aspects of their team's actions when they have the ball (or don't in the case of the defensive coordinator.) They create the schemes, draw up the plays, set the lineup, and consult with the head coach on important matters. On each team there is an offensive coordinator (OC) who is in charge when the team is on offense and looking to drive down the field and score, and a defensive coordinator (DC) who manages the defense and attempts to prevent the other team from scoring. Translating these roles to a mortgage context, it seems that the traditional scheme of having the COO be responsible for managing all aspects of operations is becoming more and more a thing of the past.

Over the past few years, we've seen the role of the COO of mortgage bankers having to focus on either being an OC or a DC. The challenges in supporting the mortgage process have become increasingly difficult and one cannot effectively play both sides of the field. In most cases, the COO is either being relied upon to keep the pipeline moving (an offensive position) or tasked with closing liability gaps to ensure the company is not exposed to compliance and operational risk (a defensive position.) If the COO is trying to act in both capacities in today's market there's a distinct conflict of interest at hand and almost certainly some inefficiencies and inherent risk. Note: for some, the COO is more like the head coach but they better have strong and seperate OC's and DC's.

Regardless of whether the COO is playing offense or defense, an effective leader will have similar characteristics and laser focus on a number of items. COO's have to be elite problem solvers and garner respect from their staff. They should be looking at submissions, approvals, expected closings, expected fundings, loans on the line, staffing levels, vacations, volume as per the time of the month, etc.

Most COO's play the OC role which is an obvious fit, we just don't like to see them step into the defense schemes; that should be someone else's responsibility. We are constantly seeing COO's being pulled into meeting after meeting to weigh in issues pertaining to compliance, secondary, or investors. We don't know how many OC's sit in of the meetings for the defense; usually they're too busy managing the offense. Leadership is necessary for all departments but so is specialized focus and skills.

As we all know this business is very cyclical and seasonal. The COO must be able to execute on the offensive side of the Ops when volume is flowing and loans must be closed efficiently. They cannot also manage risk at the same time. So what does your organizational chart look like? Does everyone report up to a COO or do you have offensive and defensive specialists? Without clearly defined the business is suffering.

Investor Mix - Too Few? Too Many? Just Right?

How many investors do we need?
Which investors do we need?
Are we missing any investors?

These are just a few of the constant questions we get during every Secondary Review project. They are rather simple questions but the answers are a moving target. The right mix for one lender may be different for another. And the right mix today may be different tomorrow or next quarter. The right investor mix is not unlike a recipe for baking. There's no perfect mix (sorry Betty Crocker) and everyone has their own tweaks to a recipe. Everyone has the same goal - to create a portfolio of loans that can be sold in the marketplace for the highest price with minimal risk. The key is to not just have the right ingredients (investors) but the right measurements (allocation.)

We see a growing number of correspondent investors in play for just about all of our clients. When adding new investors, the biggest question must be WHY? Over the last few years the market is grown with investors, from a concentrated core a few years back to a robust selection of new entrants. It's easy to keep adding. It's also easy to become overwhelmed and stick with the tried and true mix. It's a delicate balancing act. Maybe adding an investor is necessary for a specific product offerings or others are added for beneficial pricing.

Adding investors takes an investment. Secondary, underwriting and post closing all invest tremendous time in conference call, meetings, research, and implementation (UW, PPE, delivery, websites, executions etc). With such an investment, adding a new investor to the mix better be well thought out and pay dividends.

Unfortunately we see investors added all the time only to receive little to no volume. Talk about being inefficient!!! It brings us back to WHY? Why are lenders adding investors? It may sound crazy but many lenders cannot confidently answer this simple question. Is it because an LO demanded a product? Is it because you have an old standing relationship or simply like the AE? Having the right mix of investors is so important to having a profitable and efficient back end operation. Since investors are fickle and get hot and cold, bankers and secondary managers need to keep a constant eye on their mix of ingredients.

About Us:

Matchbox is a collection of gritty industry veterans who decided to create a company aimed at helping mortgage companies ignite ideas that are outside the box to realize their true potential. We have years of real-life, hands-on experience in the business, and we want to offer our keen insight to others as they take on the challenges before them.

As individuals, we each contribute unique perspectives and expertise. Collectively, we provide a true roadmap to success, regardless of your current situation. Like any master craftsman, we are very passionate about our work, and we approach each client as if your company were our own. In the end, we help you, be a better you.