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Thoughts and Observations On The Market

A Productive Lull

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As the temperatures this Summer rose, so did rates. Over the last 30-45 days lenders are now starting to see applications and closing volume slow. It is safe to say that the second half of 2013 will not equal the first. While lower volume is never a good thing, there are many things that lenders can be doing to offset the drop in volume or at least take advantage of the excess time that may have on their hands - it's not just a matter of reducing staff. Wouldn't it be nice to take advantage of the lull in volume and make it productive?

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.

A Productive Lull

Audit Review - We continue to hear of lenders bogged down with audit after audit. Well that is not going to change, so what can be done to change the current process of audits controlling your business? Updating processes and approach can significantly ease the operational havoc an audit often creates. How about establishing strong pre and post closing reviews as if auditing yourself? It's actually what the agencies are looking for and it will certainly streamline audits and pre-purchase investor reviews. Performing an internal sampling audit of specific files should undoubtedly yield results. Bottom line - audits are not going away and bankers should be doing anything they can to best prepare and avoid having half of the company be restricted when an audit notice comes in.

Additional Products - Some lenders have been so busy trying to figure out how to close their standard 15/30 year fixed loans that they have ignored certain opportunities that others are meeting with great success. The low hanging fruit is just about gone and it's worthwhile to now focus on some of the afterthought programs. USDA, VA, 203K, State Bond, HARP (Refi + and Open Access!!!) and of course ARM programs can all act as great supplements. They key here is training staff, both Sales and Ops, of the new offerings that will better diversify the product line. Do underwriters have experience with VA, USDA, or 203K? Does sales understand how to price and sell ARMs after so many years promoting fixed rate loans? Does the current investor base offer aggressive pricing to even allow these programs to be realistically marketed? This is a perfect time to look at additional products and become a stronger, more diversified lender.

Training - We as an industry do a very poor job in training. We expect everyone to watch or listen for a few days and become an expert. Now is a good time to investor in the future of human capital. How frequent are training classes? Is continuing education offered? Is there an up-to-date training manual that details all policies and procedures? Is there much more relevant right now than cross training so key Ops are well versed in multiple roles? While we continue to look to technology to solve our problems there is nothing better than an experienced and trained staff to support the business. Invest in training and it will pay dividends for years to come. We're willing to bet that many internal policies detail training programs - maybe now is the time to implement them. Note: Part of this should be a companywide review of ARM offerings - understanding their nuances, how to sell them, how to originate and disclose them in the LOS. ARMs are here to stay and everyone from origination to compliance and closing to post closing should receive some level of continuing education. If they do not understand what caps and margin are, and how to disclose them properly, there's a big problem.

Growth Projects - You know all of those items that you have said, "Yes we want to do that, but we haven't had the time." These projects should be coming off the back burner. We hear about them all the time: going paperless, setting up a disclosure desk, getting agency approval, revisiting the compensation plan, starting to hedge; and the list goes on and on. There's no reason that one or more of these projects shouldn't be getting attention now. Too busy trying to change up your marketing plan to respond to this lull? We're not accepting that excuse - call us today and we'll get them implemented for you.

Can Sales Sell? - With a two-three year rally, this can be easily lost but this business does have a sales element to it. While it was great when phones were ringing off the hook and rates were in the low 3's, it's now time for Sales to sell! There is still a long list of people that need to be called, spoken with, and offered options that they can benefit from, even as rates are above 4%. While we are not underestimating the talents of salespeople in the industry, everyone must admit they have had it good for quite some time and selling a 3.25% 30 year fixed didn't take much sale skills. Now is the time to dig a bit deeper and find ways to solicit new business.

Refi's Are Alive - Let's be clear, refinances are not dead and lenders business models should not be in peril. Home equity has consistently increased over the last few years in most markets. Credit profiles and scores have improved. Income and employment levels have stabilized, or improved. Home savings levels have increased. Home Depot is rallying which should tell us people are investing in their homes. There is an attractive population of borrowers out there that were not in the game for the last year or two. Of course there are others who never got around to refinancing at 3.5% but will still yield a benefit at 4.5%. Some lenders will be successful at marketing to these groups, others will complain that refi's are dead.

Expansion - Many lenders are looking to supplement lower volume by expanding models (branches, marketing etc). We caution lenders to be careful, expanding branches can, and often does, lead to increased risk, costs, and inefficiencies. These new models can be similar to dating - it takes a lot of time, effort, and money to find a long term relationship, with many relationships quickly fizzling. The first few dates may go well but within a month or six, some ugly signs start to appear. This is where some of the above suggestions can help. A strong audit and training program will help flush out an issues. Oh, and lenders better be careful if this volume is hedged.

Bottom line, volume is down but that does not mean that lenders cannot be productive and build a stronger foundation to their business. Take this time to education personnel, diversify product, and become efficient. Take this time to look at what has worked or not worked and improve upon it. How many times have we all said, we wish we had more hours in the day? Well, we just got some back; who is making them productive?

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 perspective 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.

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