Hi, just a reminder that you're receiving this email because you have expressed an interest in Matchbox LLC. Don't forget to add ffiore@matchboxllc.com to your address book so we'll be sure to land in your inbox!

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igniting ideas for the mortgage industry.
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IGNITE
BECAUSE DATA MATTERS

Welcome to 2018 and Happy New Year. Are you receiving a flurry of newsletters that are filled with 'Keys to a successful 2018'? Of course you are. Our take is rather simple - get back to basics. No new secret sauce or program. Our focus coming into this year is to assist lenders with their financial health. 2017 turned into a test for many, both for volume and profitability. Based on 2018 volume forecasts, lenders will have to learn to do more with less. In response we have focused on developing tools and programs that will directly increase productivity and efficiency along with providing insight on understanding, managing, and improving cost structure.

How will you drive down costs?

How are you measuring productivity and planning to improve upon current levels?

What are your volume projections and anticipated staffing levels?

We can help. We thank you for your support in 2017 and look forward to an exciting 2018. We plan on attending the MBA Independent Mortgage Bankers, TMBA, The Mortgage Collaborative Winter, and Encompass Experience conferences in the coming months. Please let us know if you want to meet in person and share some thoughts about your business model and how to improve your company health this year.

The matchbox & Ignite teams are comprised of mortgage bankers who take pride in understanding the industry changes and being proactive in how these changes can be supported within your workflow and technology.

By the way, check out our new website
www.matchboxllc.com
and let us know what you think!

matchbox....we speak mortgage

Over the past few years, lenders have focused on growing volume, increasing revenue, and adding staff. Many have done that well and have had very good years. Even through a flurry of industry wide compliance changes, bankers fought through them and still were able to grow and be profitable.

This all changed in the fourth quarter of 2017. We saw a rise in rates, a shortage in supply, a drop in volume, and in some cases, a surplus of staff, and most importantly, a drop in profitability. Whereas firms came into prior years focusing on the revenue and income; this year lenders need to come into 2018 focusing on costs, understanding them and how to manage them. When volume and profits are strong, the focus is on driving volume. Costs? Not so important. Areas of leakage throughout departments are accepted or go unnoticed when volume is flush. Lenders for the the first time in a while have to take a step back and really look into their cost structure. Many have already finished 2017 in the red and 2018 will only be more challenging unless costs are under control while eliminating all leakage and inefficiencies. If you ended '17 facing some challenges, is there a plan in place to correct this course to start 2018? Volume and low rates will not be a savior this year.

If you are looking for some guidance, here are some tips for you to look into as the year begins:

Understand your baselines - In order to know how far you're off, you need to know where to begin. We've written this in years past, but it starts with a detailed and reliable proforma. Can you model break evens? Waiting for closings to recap month-end isn't a recipe for success. It starts with a strong understanding of applications, appraisals, approvals, locks, and CTC. Note: It's not only the numbers, but the allocation based on product and margins. Get the baseline numbers in place in order to gauge a sustainable drop in production or rise in rates.

Loan Officer Compensation plans - Multiple and variable compensation plans are acceptable when volume is high as volume coming from various areas will balance them out. More often than not, the "bad" compensation plans show their colors when volumes drop and they can, and will have a much deeper impact. Get ahead of these turning into problems and tough conversations.

Staff "incentive based" bonus plans - When volume drops, theoretically so should employee bonuses. Do these bonuses have minimum standards? Will they be met? Have bonuses turned into fixed salaries over time? Here's a perfect example of all being great when volume is high, but become a stress point once volume drops.

Secondary Policies and Procedures - This can be a newsletter into itself. Based on our Secondary Reviews over the past few years, there are multiple areas of leakage in your Secondary and Secondary related departments. We're always speaking about this, but we all get complacent in our daily activities and there are always additional opportunities to take advantage of. A full review of your Secondary policies and procedures as they relate to fees, strategies, exceptions etc., are always a good idea. If you do not understand these or more importantly how they are being managed, you need to. This includes understanding margin rules, how they are built into your PPE and enforced while accounting for pricing accommodations and exceptions. If this is a black box, it's time to make it transparent.

Post Closing - This department is often overlooked and creates many areas of exposure as it relates to costs. Between extra days on the warehouse line, only shipping a few times a week, missing delivery dates to investors, or not fully reviewing files prior to being sent to investor, days and sometimes weeks are lost due to weak or careless post closing processes. How and who oversees these benchmarks and sets expectations? Time is money and this department is often left alone as long as roll fees are kept at a minimum. All departments need to be assessed and post closing can no longer work under the radar.

Accounting and Financials - As numbers potentially flow from black to red, lenders need to understand them,
support them and be able to address with an action plan to take corrective action. Whether it is liquidity ratios, cash available, or just overall drop in profitability, Management and Finance have to speak to the numbers and the ability to manage and potentially reduce costs and increase productivity. You can wait until the 15th of the month to look at the numbers when they are strong. When they're not so hot, you need to know them by the 15th of

the prior month!

The Ignite team is in the development lab improving our current tools and creating exciting new tools for 2018. Call us today for a demo of our full toolset.

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