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## Matchbox OP(erations) ED(itorial) Page Thoughts and Observations On The Market

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Although there could be a few more snow days in our future, the longer days are the first sign that Spring is coming and hopefully better weather ahead. Most lenders feel that as the weather warms up, so will business. They are expecting March to be their best month in some time and hopefully an end to this pretty brutal winter. There was enough chatter last week about how much weather had an effect on the economy, so we'll give it a rest - but we did see 50 degrees in New York so we're quite happy. So what can the mortgage industry expect as we head into Spring?

It seems that rates have settled into a range where refinances activity will remain flat or slowly continue the downward trend. On the other hand, purchase volume should grow. Pipelines have already shifted and any lender looking for growth or maintaining volume will need to see a surge of activity in the coming months.

Every lender and client is looking to better understand how to grow purchase business and manage it efficiently through workflows and policies. We believe there are a few keys to supporting this potential clientele once you have figured out the realtor relationships.

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 Purchase Commitment

Most people understand that a purchase transaction is different than a refinance, but not many stop to think of the nuances of how and why to support them going forward. Unlike refis which can be handled as additional business, supporting purchases is not something that you can just add into your daily mix through leads and marketing. A purchase transaction and its pipeline management require a totally different mindset which needs to be embraced as lenders make the challenging transition to support

this business. Here are a few key components that are often overlooked and where lenders have struggled in the shift of originations:

**Is this their first time?** - If lenders are supporting a first-time homebuyer, then purchasing a home is just one of the many "firsts" on their list. First-time homebuyers will be looking to their lender for your knowledge, guidance and expertise. Lenders, or really MLOs must understand and appreciate this. Clients will not be familiar with a lot of terms/lingo and most of what you say or send to them is going to be reviewed by another party which is going to likely create additional questions or concerns. Please try to do your best at explaining the process and what the potential speed bumps may be. Any surprise is going to be a stressful event, so do your best at trying to minimize it by being up front and honest. Patience is paramount in dealing with first-time homebuyers and MLOs should be trained to see themselves as a true consultant.

**Don't change a thing** - The purchase timeline is sometimes a lengthy one and borrowers need to know the dangers that could negatively affect their loan. Many innocent items such as taking on an additional car payment or getting approved for a no-interest credit card to buy furniture for their new house could affect their application negatively. Once the borrower is pre-approved/approved make sure they understand the benefits of not making additional changes to their credit / income profile. The Loan Quality Initiative (LQI) credit refresh prior to close has been known to throw a wrench in the works in several instances. Don't let this happen to you because if you don't let first-time homebuyers know in advance, then you're to blame and they will surely let you know. Reaching out for a referral or refinance opportunity in the future is now less likely. Again, these are not refi transactions which can be submitted and closed within a few short weeks. Purchases can easily take 60-120 days.

**This is a relationship, not a transaction** - Unlike a refinance which is a repeat, rather straight forward transaction, a purchase is a relationship based process which includes the realtor, builder, two attorneys, the applicant(s), and many other vendors. Make sure you consistently put your best foot forward in supporting the process throughout as you have an expanded audience that: a) have a lot of options; and b) are happy to use you again or refer someone that does a great job. The purchase market is all about referrals. A positive purchase experience could result in a steady stream of business for years to come. A one-and-done approach is destined to fail when it comes to building a platform focused on purchase volume.

**Be smarter** - A purchase transaction requires the MLO to be smarter and more proactive in supporting their clients. Unlike a refinance transaction, which does not have a contractual end date and greater fall out risk, a purchase client should be committed to you. They will come to you for many items throughout the process - rates, products, economic news, inspection reports, appraisals, the house next door that just sold, estimated closing date and time, etc. A purchase transaction will come with many more questions and will require educated and timely answers. It's not just an extension cost that could be at risk here, it is also the client's deposit and a string of events regarding their move.

Do your best to anticipate the questions and be able to answer them with confidence. Even if the answer is 'TBD', the way it is presented to all parties involved will be appreciated and not forgotten.

**Understand your lock** - Locking a purchase transaction usually requires a longer lock period than refis and more items are outside of a lenders control which makes extensions, relocks, and float-downs more common. Lender policies must be clear and understood by all, with exceptions carefully monitors - hey, nobody is looking to increase fair lending exposure. MLOs must manage the lock carefully and advise the client on terms and conditions.

**Leverage the LOS** - A purchase transaction should have a different set of templates, business rules, and field requirements than a refinance. Make sure you understand the differences and more importantly, know how to complete them correctly.

Contract Date or Mortgage Contingency Date are important factors in a purchase transaction; this needs to be input in the loan file. You should have a pipeline view or report that is driven off of this date so you can prioritize accordingly. If there are no changes within your LOS, then you may be in for a bumpy road as pipeline management be compromised, and thus the platform's success in general.

In summary, lenders cannot excel at migrating to a purchase environment without a true commitment to it. Updates from training to technology are critical. The purchase process and the management of such is a totally different animal and lenders should be actively training or learning from a purchase expert.

### **How's Your HMDA?**

It's that time of year again and like Groundhog Day, we see people in companies unavailable for days/weeks because they have to get their HMDA reporting submitted. We understand the challenges of the HMDA process and feel with great confidence that the process can, and should be streamlined for most. The HMDA process should not stop a department dead in its tracks like an audit. It should be a consistent process that gets completed at the loan level throughout the year and is able to be reviewed and summarized prior to submission. While we understand that this is not the case for a lot of lenders, if you are on Encompass, and if you are struggling with this, please give us a call.

The key components of the HMDA process should be automated and should not require hands on effort from any individual. The system can be configured to complete most of the information based upon other areas of the loan file that are updated. For instance, if a loan receives an 'Adverse' designation, then several of the key HMDA related fields should be reflective of the Adverse status; it should not require manual oversight. With HMDA & NMLS so intertwined, there should be minimal exception reporting needed at year end. We can build you a strong HMDA workflow that will make all Compliance and Operations managers happy, freeing up time for them to focus on other core aspects of the business. A Compliance Manager or Operations Manager should not have to clean up the annual mess that is HMDA.

### 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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