



Process Improvement Fears Abound

Smart lenders are thinking strategically and trying to counteract current trends to remain profitable.

By Tony Garritano

The smart lender sees what's going on. A lot is changing. One big concern is the interest rate environment.

So, are fears of rising interest rates overblown? If not, why? How can lenders bring in more buyers?

"No. Fears are not overblown because margins have declined," answered Les Parker of LoanLogics. "Production is tied to seasonality, but the gain per loan has decreased, which is significant. Cash-out refis are not picking up like most in the industry anticipated that they would. The move to higher rates speaks to the lack of scalability of independent mortgage bankers.

Millon, founder of Capital Markets Cooperative. "We are seeing volume at assumed levels. It's all about purchases and a lack of inventory vs. a lack of borrowers. Broadening the product menu would be a good way to attract new borrowers.

Specifically, Tom Millon founded Capital Markets Cooperative ("CMC") in 2003 and is considered one of the nation's top executives in the mortgage capital markets. Tom is a recognized author, frequent speaker, and expert in mortgage finance. He serves as President, Chief Executive Officer, and Chairman of CMC,

To counteract current trends lenders have to act boldly. Acting boldly is hard to do, but it is necessary. Lenders have to do it.

"As a result, lenders are trying to broaden their product base. The challenge is that as you expand your products you also have to expand quality control. Lenders are also increasing the commissions to loan officers, which decreases margins and further hides their ability to scale."

Les Parker is a consultant to LoanLogics. He is a contributor to the company's strategic planning team and helps to facilitate communications with industry leaders on its behalf.

Parker has executive mortgage banking experience in capital markets, servicing, operations, production and financial management. Parker has served as director of the largest private issuer of CMOs. His educational background covers music, religious studies, mortgage banking, mathematics, and business administration.

Parker holds a BBA in Finance, other degrees, and has held numerous securities licenses. Parker is a Master Certified Mortgage Banker, a designation conferred by the Mortgage Bankers Association.

"Overall volume hasn't gone down," noted Tom

and is the Chief Executive Officer and Chairman of CMC's lending subsidiary, CMC Funding, Inc.

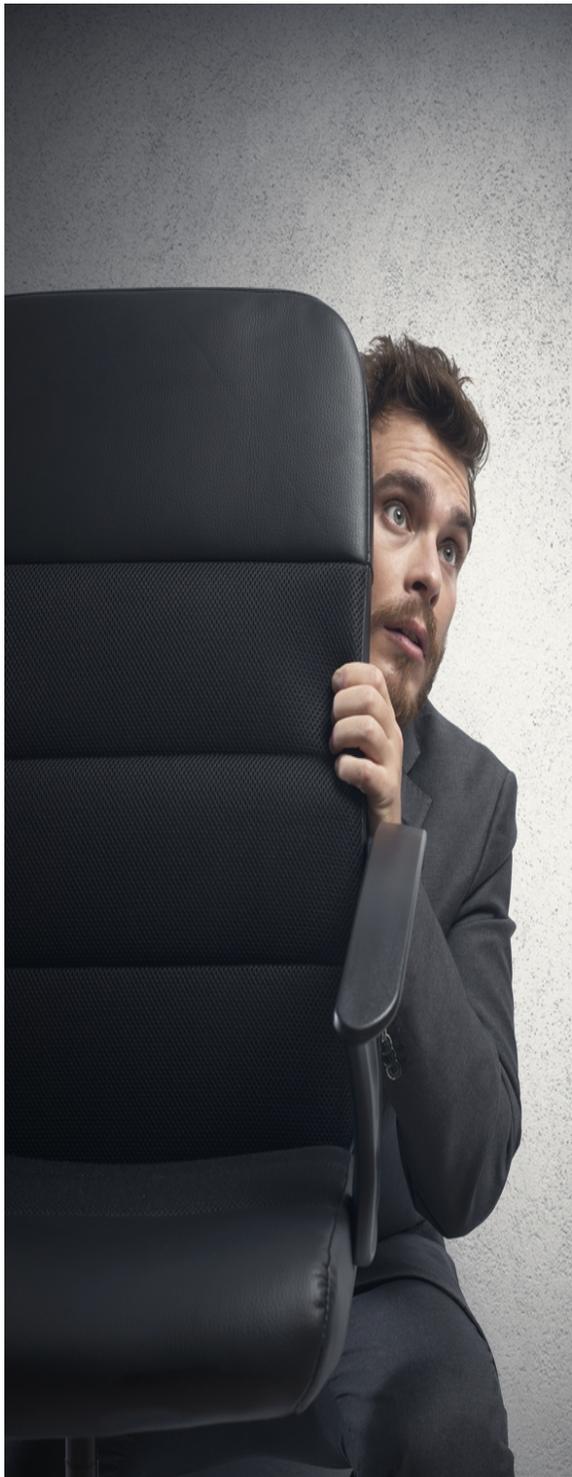
Tom is a member of the Mortgage Bankers Association where he serves on the MBA's committee for GSE reform. Tom is also on the advisory board of the Common Securitization Platform—a joint venture between Fannie Mae and Freddie Mac, dedicated to standardizing the agency mortgage-backed security.

Tom holds the Chartered Financial Analyst and Certified Mortgage Banker designations. He is FINRA Series 3 licensed and is a member of the National Futures Association, the Association for Investment Management and Research, and the Security Analysts Society of San Francisco.

"To counteract current trends lenders have to act boldly. Acting boldly is hard to do, but it is necessary," said Millon. "I think lenders view certain loan products as being too risky to originate from a regulatory standpoint, so they resist.

"We offer technology solutions and investor solutions across the whole lifecycle of the loan. Lenders want to keep their costs going in the right

direction. Lenders want to be disruptive and try to get a huge advantage if possible. So, they have to look at technology,” concluded Millon.



“Going forward, the refi market will be cut out, but you have a historic number of new borrowers coming in,” added Jim Pippin, director of client solutions at National Mortgage Insurance Corp. (national MI). “Reaching into the multicultural market is important. A lot of minority homebuyers still think they need 20% down and nobody is marketing to them. Also, Millennials have similar misconceptions. You have to reach them in a new way because they prefer to be reached via social media.”

Jim Pippin is director of client solutions at National Mortgage Insurance Corporation (National MI), a subsidiary of NMI Holdings, Inc. (NASDAQ: NMIH). National MI is a private mortgage insurer based in Emeryville, CA. Pippin is involved in all facets of product development and launch, including design, pricing, operations and sales training. Prior to National MI, Pippin held senior positions at Genworth, Bank of America, Capital One and General Electric, where he earned a Six Sigma Black Belt. He holds a B.S. in Industrial Engineering from North Carolina State and an MBA in Business Administration from Wake Forest University.

“We see a lot of utilization of FHA when it doesn’t really suite that borrower. It is getting overused,” continued Pippin. “Also, there is a perception that MI is not a favorable part of the industry, but MI helps to drive the market

“A lot of what we do is help lenders figure out what to do when the phone stops ringing. We help lenders go out and get those new borrowers. Borrowers need to be more educated and approached.”

“I believe that lenders miss the biggest threat to their business model,” added Parker. “The big threat is competition from a new entrant that does things better vs. the guy down the street. Lenders have a tendency to think the sales model that they are competing against is a company with the same sales model, but that’s not true because there are a lot of new entrants that are trying to change the traditional model.

“The greatest issue is fear to take bold action and raise capital to take that action. They can ask questions and get advice. From there they can go to the technology vendor with a plan.

“Generally, lenders are optimistic and they have a plan, but they have to build that consensus across their company. Lenders have to address threats head on and engage with consultants to get good advice,” concluded Parker. ❖

Tony Garritano is chairman and founder at PROGRESS in Lending Association. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker in the mortgage technology space. Starting this association was the next step for someone like Tony, who has dedicated his career to providing mortgage executives with the information needed to make informed technology decisions. He can be reached via e-mail at tony@progressinlending.com.