

The Mortgage Professional

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Information You Can Use

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Fannie Mae Speaks With Forked Tongue

A lot of mortgage bankers now are starting to understand how the native American Indians must have felt watching the European Americans slowly moving west and setting up permanent residence in their homes. FNMA is using the vast wealth it has accumulated as a beneficiary of a government charter to invade the last bastion of small to mid-sized private financial institutions. While this allegory may seem oversimplified, it is an uncanny illustration of what is actually occurring today.

Since, out of human nature, we notice only abrupt changes, not slower more inimical ones, many lenders and brokers are apathetically standing by as their businesses are undermined. The American Indians suffered the same fate by passively retreating from conflicts with the superior enemy - often conceding prime hunting grounds. In a way, this is precisely the migration we are seeing now. Automated Underwriting took a lot of steam out of the last refinance blip for many originators-refinancing activity being a side benefit of long term involvement in mortgage origination. Likewise, FNMA and FHLMC's entry into the impaired credit arena with A- to C offerings is a foray into the high profit arena of the origination business - traditional "hunting grounds" for the mortgage banker and broker.

It can be hard to argue with the some of the logic behind these actions. For instance, FNMA states that automated underwriting is creating economies of scale - reducing costs to the consumer - and improving the quality of origination. But the savings are actually quite small - perhaps \$70 or \$80 in net costs. This savings is eroded if there is a need for multiple submissions. This rationalization sounds eerily like the promises of reduced costs through bank consolidation (bank fee charges have increased by 36% in the last decade - not really a consumer windfall). The argument for improved credit quality is unsubstantiated as of yet - this portfolio has yet to weather any economic downturn after 8 years of expansion. On a personal level it is also hard to fathom the argument of improved credit quality - every day there are industry testimonials to radically liberal underwriting results being awarded by the automated underwriting protocols.

Worst of all, we believe the rhetorical denials of the intentions of these actions, while refusing to accept the obvious implications. Franklin Raines, FNMA president, vehemently denied that FNMA has any intention of entering the origination business. If that were the case, why would they have underwritten a 5 year multi-million dollar advertising campaign to the public? What other objective could there be?

More than this, the insulting insinuation is that all of the initiatives in home financing have been somehow related to FNMA, and that lenders have been idle beneficiaries of their innovation. To the contrary, FNMA has capitulated to lender demand in areas such as affordable housing and expanded criteria. To most mortgage professionals this is the most audacious position of all. FNMA has been dragged kicking and screaming into making any changes at all. In the end the only reason FNMA embraced any shift was when there was a potential to realize profit. In fact, FNMA's own position as a major sponsor of affordable housing only creates increased borrowing. According to Alan Greenspan - the country needs more equity investment, not more borrowing.

This is where the GSE crosses the line. Their charter was to promote affordable housing by creating a secondary market for conventional residential mortgage loans - as a counterpart to GNMA. The miracle of the Reagan revolution was the creation of a marriage of government and private industry by inculcating the magic of the profit motive in operating philosophy. Now FNMA churns a huge profit. They are directing the excesses into the self-serving strategies - that's what monopolies do. And while FHLMC hasn't participated in the open courting of the public that FNMA has, they have entered into the traditional private industry venue of impaired credit. (FHLMC also supports automated underwriting but has channeled this as a third party origination strategy in an attempt to eliminate the wholesale lender - a quieter but potentially more inimical strategy since 60% of all loans start in the mortgage broker's office). FM watch needs to put this company back on track to fulfill its charter - not put originators out of business.

*Signs of the Times
One Loan Officer gets out. Says "I don't want to be the last one standing alone holding the flag"*

We hear this a lot these days. The writing seems to be on the walls. "Hey, with the internet you've got these guys doing loans for \$200. Automated underwriting is taking all the niches out of the business. I can't compete".

This could be the tale of many new-schoolers - people who entered the business in the last 5 years when rates have been relatively benevolent and who have had their taste of success butchered by either the "liquidity crunch" of '98 or the "end of the refis" in '99. Has the business changed that much? No. Is the money as easy as it was in the spring? No.

You have two choices - get out, or get to work. The truth that many new pro's will learn when they try and leave the industry is that they have it pretty good. Where else can you choose your own clients, your own hours, and work as hard as you need to to earn money if that is your motivation?

If you love this business, more fundamental issues of the future need to be addressed before you quit

Inside

- ❑ Closing Preparation Tips from a closer
- ❑ The Portfolio NO DOC Product
- ❑ The Assistant Plan - Grow Production by Training New Originators

Continued from page 1

The Internet

"The Internet" in itself is not a competitor. The internet is a essentially an interactive yellow pages. People go there when they know what they want and are looking for someone to buy from. They want to arm themselves with information. This is usually the end of the utility of this type of functionality. There is no threat from the internet at this point because PEOPLE DON'T KNOW THEY NEED A MORTGAGE OR REFINANCE UNTIL SOMEONE TELLS THEM.

When does someone tell them this? Usually at the office, or a newspaper advertisement. Maybe even a banner on a search engine. A real estate agent will send someone to specific lenders because of reputation. Will the prospective borrower then go to the internet? Yes. They will check rates and may even fill out an extensive on-line application.

What has this saved the borrower?

The borrower is saved the process of meeting with a loan officer in the lender's office. It can't be an accident that there is no word or phrase in the English language that means "As much fun as meeting with a loan officer" . Many lenders drive customers to the internet by making the application process difficult. There are a number of ways to avoid this

- ❑ Taking the application over the telephone
- ❑ Faxing an abbreviated pre-application
- ❑ Collecting the data from a persons accountant, or from the preliminary financial statement filled out with the realtor

The borrower finds that often there are so many questions left unanswered by the on-line application that the borrower must call and speak with a loan officer anyway. A little preparation on the loan officer's part can mimic the timesaving of the on-line application.

...a survey of national real estate firms indicate... financing contingencies may not be released by approvals from "non-local" lenders...

Why do many applicants turn to the Internet?

Unfortunately, for the same reason that many good loan officers lose any transaction - they don't respond quickly enough, if at all. Missed pages, misplaced messages and un-returned voicemail are all frustrations, which drive customers away. In fact, the responsiveness that a customer encounters with an Internet lender is normally less qualitative, but it's a response.

Finally, a survey of national real estate firms indicate that due to the low ratio of successful completions o f internet lender's applications, financing contingencies are not being released with a pre-approval or approval from "non-local" lenders.

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Closer's Corner

Position Specific Advice From Professionals

With all of the excitement about the Internet, closing is still a relatively simple transaction which requires paper (and lot's of them) to complete. A processor or closer can earn a lot of peace of mind by preparing the closing ahead of the time the loan is scheduled to close.

Also, with a computer and data import and export being the most prevalent form of data entry, there is a much larger chance of Garbage In- Garbage Out where an incorrect piece of information gets carried from application to post-closing without being checked. A good quality pre-check can avoid the significant expense of correcting documentation post closing and deficiency buy backs.

The question of whether the loan officer, processor or closing is responsible for getting the pre-closing documentation is really a question of company policy. Often this duty is delegated to the least busy person because the requirements are so repetitive. This can be a problem because the documents aren't checked correctly. Also an astoundingly large number of loan officers and processors are surprised at closing by requirements that could have been addressed earlier in the process.

Pre-Preparation

In your loan package you should have a detailed list of closing requirements and who is responsible for obtaining the documentation. This should be acknowledged by the borrower to educate all interested parties and so that the borrower can't disavow knowledge of requirements at the last minute. Aside from standard requirements this should also include information on requirements as to Inspections, Float to Lock Policy, Private Mortgage Insurance or 2nd Mortgages, Approved Attorneys, etc.

Simple Start

If the specifics are too much for newer loan officers or processors there are the simple four which should be used to remind borrowers of their obligations to provide these

Binder/Survey/ Hazard/Termite

But more important is for someone in the office to review the requirements that are in the file against standard requirements. This process can be easily delegated to a junior staff member with the proper instruction - such as a checklist like the one on the attached page.

Pre-Closing Document Review

This form is to be used to preview closing documentation prior to submission to closing, transmit closing requirements to the borrower or transmit closing documentation to the closer.

Borrower(s):

Checked Against _____ ()Application ()Credit Report ()Tax Return ()COE ()Vesting (refi)

Legal Description

Checked Against _____ ()Title Binder ()Survey ()Appraisal

Property Address

Checked Against _____ () Survey ()County Map ()Hazard Insurance Policy () Appraisal

Confirm Conditions/Registration/Loan Terms

<u>Registration</u>	_____	Loan Amount	_____	Points
	_____	Rate	_____	Expiration
	_____	Term		
<u>Approval</u>	_____	Terms Agree with Registration		
	_____	LTV		PMI Required
<u>Terms Agree With</u>	_____	1003/1008	_____	VA 6393/8923
	_____	Commitment Letter	_____	FHA 2900
<u>Sales Contract</u>	_____	Point Structure	Buyer (____)	Seller (____)
	_____	Repairs	_____	
	_____	Contract Expires		
<u>Appraisal</u>	_____	Property Address	_____	Legal Description
	_____	PUD	_____	Condo
	_____	Well/Septic	_____	Flood Zone
	_____	Builder's Warranty		
	_____	Appraisal Conditions		
<u>Refinance</u>	_____	Cash Out	_____	Debt Payoffs

Document Review

To Closer: The checked documentation is attached and has been reviewed as acceptable by the undersigned.

() Title Binder	_____	Effective Date	_____	Mortgagee Clause
	_____	Legal Description	_____	Survey Exception
	_____	ALTA Endorsement	_____	Taxes Current
	_____	Sales Price	_____	Building Restriction Line
	_____	Loan Amount	_____	Covenants & Restrictions
() Hazard Insurance	_____	Paid Receipt	_____	Property Address
	_____	Coverage Amount	_____	Effective Dates
	_____	Names	_____	Agent Address
	_____	Mortgagee Clause	_____	Condo Certificate
() Survey	_____	Legal Correct	_____	Dated
	_____	Sealed	_____	House Number
	_____	BRL Violated	_____	North Arrow
	_____	Fence Off Lines	_____	Ingress/Egress
	_____	Utility Lines	_____	
() Termite	_____	Correct Form	_____	Address
	_____	Damage	_____	Treated
	_____	Signed 12A	_____	Dated
	_____	Original	_____	
() PMI Certificate	_____	Borrowers	_____	Property Address
	_____	Conditions	_____	Loan Amount
	_____	Coverage Amount	_____	

Focus on Products

The enterprising mortgage lender always has an eye out for programs that will help make money by providing that small niche - filling a need that isn't met elsewhere

Loan Plan Specifications

Investor	First Nationwide Portfolio Plus - Reduced Documentation				
Transaction	LTV	CLTV	Property Type	Maximum Loan	Maximum Financing
Owner Occupied Purchase Rate/Term Refinance	95%	n/a	1-2 Units	\$ 300,000	No Limit
	90%	n/a		\$ 400,000	
	80%	n/a	\$ 500,000		
	75%	80%	\$ 650,000		
	70%	80%	\$ 825,000		
	65%	80%	\$ 1,000,000		
Owner Occupied Cash Out Refinance	55%	80%	3-4 Units	\$ 400,000	No Limit
	70%	80%		\$ 400,000	
	65%	80%	\$ 650,000		
	60%	80%	\$ 825,000		
	55%	80%	\$ 1,000,000		
	Cash Out Limitations				
				65%	\$ 125,000
				55%	\$ 150,000
				Condos	\$ 50,000
2nd Home Purchase Rate/Term Refinance	65%	80%	1 Family	\$ 500,000	No Limit
Investor Purchase Rate/Term Refinance	60%	80%	1 Family	\$ 650,000	
Investor Purchase Rate/Term Refinance	55%		1-4 Family, Condo	\$ 400,000	\$ 400,000
Credit Scores	700 credit scores for major wage earner for LTV >75% 680 for <70%				
Programs Offered	1Year, 3/1, 5/, 7/1 ARM with 10 - 30 Year Amortization Option ARM				
Qualifying Ratios	Conforming Balances and 90.01 - 95.00% LTV - 28/36 Non-Conforming balances < 90% LTV - 33/38 Qualify at Start Rate except for 1 Year ARM - Qualify at 7% or FIAR				
Seller Contributions	95% LTV - 3% 90% LTV - 6%	May include non recurring costs and prepaids such as appraisals and application fees			
Documentation Requirements	Verbal Verification of Employment 14 days prior to closing				
Reserve Requirements	6 Months PITI or \$100,000, whichever is less				
Non-Resident Aliens	Full/Alt Doc Only				
Non-Occupant Co-Borrowers	Full/Alt Doc Only				
Self-Employment	Salaried, Self-Employed, Retired All Eligible for Reduced Doc				
Gift Letters	80.01 - 95% LTV borrower must have 5% of own funds invested into				
Secondary Financing	Max CLTV is 80% - Standard FMNA Subordinate Financing				
Multiple Properties	Max Financed Properties 4 - \$2,000,000 aggregate financing with				
Assumability	With Credit Approval and Fee				
Mortgage Insurance	Conventional Private Mortgage Insurance Required				
	Coverage Requirements - MGIC, GE, UGIC, CMAC	LTV	Owner	2nd	
		95%	30%		
		90%	25%	30%	
	85%	12%	30%		
Eligible Properties	Condo - FHLMC/FNMA Eligible Projects. Exposure Limits - Investor				
Refinancing	Up to 95% LTV Over 90% cannot include Closing Costs or Prepaid				

The First Nationwide Portfolio No Income Verification

90 - 95% LTV with limited price up Grabs Market Share in the "A" paper Arena

With the success in the acceptance of credit rated paper (A- to D) in the secondary market, the question of "can we do this?" has been less important than "how much will it cost?"

In fact, when it comes to no income verification, there are a number of sources that will allow reduced income documentation. BUT the availability of the 90-95% LTV AND the fact that there is no significant pricing event in connection with this product make it one worth studying and adding to your product offerings. There are additional features of the product as well.

- ❑ Tiered LTV's - while the LTV parameters here go in increments of 5%, the program actually allows you to step up the loan to value with a step up in down payment (i.e.; 93%LTV to \$340,000, etc.)
- ❑ Some No Income Verification programs only allow self employed - this one allows all borrowers - salaried, retired, etc.

Call 800-287-5626



We Don't Run a Mortgage Business We Help Your Mortgage Business Run Better

Training Programs	<p>New Loan Officer Training - We offer 2,3,5 day training camps to teach new lenders the fundamentals of real estate finance.</p> <p>Developing a Loan Officer Marketing Plan - Learn how to put together campaigns, learn what your clients needs</p> <p>Loan Officer Automation - Use Software to automate the sales Process</p>
Custom Branch Manuals	<p>Custom Branch Manuals define the procedures you use to run your company. They function as training tools for new employees. Organize your business and keep it up to date with disk templates, which allow you to change when your business changes.</p> <p>Origination - Position Descriptions, Compensation, lock-in policies, taking and setting up loan files, status and closing procedures are covered. Add indexes for all loan originator forms.</p> <p>Loan Plan Specifications - and Broker secondary marketing guide. Organize and search your investors by specific criteria. Approved appraiser, state licensing, fees, registration and lock in forms, condo letters, fee sheets - all in one resource.</p> <p>Processing - Loan setup, Customer Contact, Status Process, Determining File Readiness, Checklists, Underwriting Conditions and Closing Preparation</p> <p>Underwriting - Standard FNMA Guidelines, plus forms, automated processes, checklists.</p> <p>Closing - Coordinating, Documentation Requirements, Checklists, Loan Instructions</p> <p>Administration - New employee kits, policies and procedures, check and supply requisition, operating hours, phone instructions.</p> <p>Quality Control - Instruct employees how to comply with local, state and federal guidelines and laws. Step by step quality check plan in compliance with FNMA, FHLMC and FHA guidelines.</p>
Software Implementation	<p style="text-align: center;">Contour? Genesis? Point? Byte? LoanSoft? MortgageWare? <i>Let us help optimize your productivity</i></p>
Recruiting	<p style="text-align: center;">Staff Solutions Temporary Processing, Administrative or Marketing Sales Management Placement Loan Originator Recruitment</p>



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Mortgage Classifieds

Computer Equipment

Laptop Computer	Compaq Contura 486 20 MB Ram, 500MBHD, Floppy, 2PC Card Slots, Trackball Mouse \$250.00 - (301)738-7031
Laptop Computer	Compaq Armada Pentium 100, 30MB Ram, 810 MB HD, Floppy, 2 PC Card Slots, Trackball Mouse \$350.00 (301) 738-7031
Desktop Computer	Generic 486 PC's 66 Mhz Proc - Floppy, CD ROM, 14" Monitor, Sound Card, Modem 20 MB Ram, 500 MB Hd, Keyboard, Mouse \$75.00 (301) 738-7031
MADGE Network	Cards - 16 bit Ringnode \$10.00/16/4 Client ISA \$15.00 3Com Tokenlink 16/4 \$30.00 (301) 738-7031

Employment Opportunities

Job Title	Description & Requirements
Commercial Lender Vice President	Large Mid-Atlantic Bank is seeking 7-10 Year Veteran familiar with NOVA market to function in origination/relationship management role. Existing customer base is critical. Targeting transactions in the \$50-70MM range.
Commercial Lenders	This is an exceptional opportunity for a goal oriented professional with the ability to maintain current customer relationships and the drive necessary to develop new business. The successful candidate will possess a proven track record in achieving loan goals. The ability to build new customer relationships and generate new business through cold calling, establishing community contact and local networking is a must. 5 years commercial lending experience desired.
Subprime Branch Manager	Largest Privately Held SubPrime Lender - 29 Offices, 36 States, Since 1980. Responsible for all facets of the branch; Originate, Process, Underwrite. Recruit Team to Suit. Base \$40-50 plus 10bp Branch override.
Account Executives for Sub-Prime Mortgage Wholesale Lender	Top 100 Mortgage Lender. Areas available in NY, NJ, PA, VA, CT. 2 years Mortgage experience preferred. Will consider Real Estate/Banking/Financial experience. Excellent 100K+ income. Base + commission, plus full benefits package including 401(k), car and home office allowance. Fax, Cell Phone and Pager supplied.
Mortgage Analyst	"New Wave" High Technology Lender - Responsible for Field Underwriting and Customer Service. Choose your caseload - The larger the pipeline, the larger the income. Work in the Office or Choose the telecommuting option - all hardware and hook-ups provided - NO OFFICE POLITICS or STRESS. 10 Cases/Month minimum guarantees \$36K.
Internet Loan Originator	"Hi Technology" Lender needs loan officer to work with customer leads coming off the Internet. Familiarity with Processing Programs a must. NO SELLING!
Loan Representative	Mortgage Subsidiary of Major National Real Estate Firm has prime branches available for "In-House" type loan officer position. Guaranteed percentage of Office Business.
Credit Analyst - Multifamily	Commercially traded Fortune 100 company. Government Sponsored Entity. California Location. Key Responsibilities: Analyzing credit, operational and financial risk and opportunities associated with complex negotiated terms of business. Four to six years experience in mortgage loan underwriting/risk analysis utilizing Freddie Mac/Fannie Mae or private secondary market standards, including credit and property review and project approval. Knowledge of PC applications to track and analyze data. Bachelor's degree in Finance, Business, Real Estate or related field or equivalent work experience.
Credit Union Editor/Writer	Edits, writes or rewrites articles, publication, bulletins, letters, documents, presentations and other materials to communicate and promote information about credit union products and services to members, potential members and staff. Determines style and most effective means of communication consistent with established marketing objectives and branding strategy. Knowledge of proper grammar, punctuation and spelling required. Strong written communications skills and ability to write in a variety of formats. Min Requirements: Excellent written and verbal communications skills, Bachelor's degree in business, marketing, English, journalism, communications or related field, plus one to three years prior writing and editing experience required.

Advertisements appear here and at www.quick-start.net/jobs.htm. To advertise, fax position posting to 301-738-6523 or submit on-line at www.quick-start.net. Candidates should fax a resume to 301-738-6523

The "TEAM" Concept

Senior/Junior Loan Officer Pairing answers the needs of both

The team concept is an approach that has never gained firm acceptance in the mortgage industry. In part, this is due to lack of support on the part of the employers - the fear of becoming involved in litigation due to disputes between partners - and because the context of performance in mortgage sales has been a traditionally male/solo role. This is a shame because there are benefits to both Junior and Senior Loan Officers as well as for more evenly matched pairs of loan officers.

In the Senior/Junior pairing the benefits are quite clear

Senior	Junior
Develops more focus on managing a market than running day to day activities/customer service	Receives training, and works with live cases, deals with real issues with the support of a savvy mentor
Allows for the growth of a recruiting network for future management potential	Obtains directed support in development of a marketing plan - sees how it works
Adds an income stream from overrides	Subsidizes initial learning period with referrals
Double Coverage in vacation/absence scenario or during periods of high volume	

While there hasn't been any conclusive reporting on volume enhancements from this type of an arrangement, many individuals have developed astronomical production numbers. In fact, the pairing concept is just the intermediary step to a new branch.

In some cases the pairing is not a junior/senior team, but a partnership of two seasoned professionals whose strengths lie in different areas. For instance, a loan officer who has great production and sales capability, but falls short on service delivery pairs with a loan officer whose numbers are not so dramatic but who has excellent business management skills.

In any case, the fear over disputes can be allayed by the development of a binding agreement setting forth the handling of issues like who's production is whose; how volume incentives are distributed; detailed division of responsibilities and assignment of parameters for quoting prices and services.

DO YOU KNOW OF A GOOD TEAM? Let us know and we will profile them here. E-Mail teamselling@quick-start.net

In Upcoming Issues:

- The "Partner System" - Growing personal production with an assistant.
- "Net Branch Review" - a review of existing "Net Branch" companies and what they are doing to distinguish themselves
- Processing Salary Survey
- Automated Underwriting Ins and Outs
- Loan Officer Objections



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