

Fulfill Your Needs with Outsourcing

When transitioning from broker to banker, consider using third parties for fulfillment services

By **Mary Kladde**, president and CEO, and **Ruth Lee**, vice president of sales, Titan Lenders Corp.

MANY MORTGAGE BROKERS FIND the transition to banking alluring. As requirements tighten and they face a more-restrictive environment, making the broker-to-banker switch may be the only financially viable alternative for some.

In fact, becoming a banker can be a natural, and perhaps advisable, progression for mortgage brokers with confidence in their mastery of key processes and concepts and a knack for the often-underestimated art of relationships.

Brokers must be prepared to contend with the added responsibilities, risks and resource requirements, however. For many, the risk of being unable to provide viable loan products with any means of profitability counterweighs the risks involved with becoming a banker.

Resource risks

Brokers who wish to become bankers should first consider the time and resources involved in building an organization that not only originates like a well-oiled machine but also is equipped and qualified to manage back-office operations, including underwriting, loan-document preparation, funding, closing and post-closing services.

Managing these processes with confidence and establishing profitable business-to-business relationships are both part of the broker-to-banker equation. Aspiring bankers will be more likely to secure the required relationships when they can demonstrate their competence with key processes.

Brokers seeking to make the change to mortgage banking are discovering a reluctant environment, however. Warehouse lenders have exited the market almost on pace with wholesale lenders. Those that remain have upped the ante. Net-worth requirements for most warehouse

lenders start at \$250,000. New bankers will need to seek warehouse lenders that offer smaller, more-supervised lines for new entrants into the market.

outsourcing as a viable cost-solution alternative to hiring and managing a fulfillment staff.

In addition, outsourcing back-office functions to well-established third-party fulfillment

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Also, as a byproduct of a relationship with one or more warehouse lenders, a transitioning broker is compelled to follow a specific playbook with regard to the operating practices of lender partners. Add to that playbook a complex network of investor and regulatory compliance requirements, and it is clear why operational shortcomings can doom a new banker.

Some challenges that broker-to-bankers may face are:

- **Finding a warehouse lender without high-net-worth requirements;**
- **Paperwork and time investment required for warehouse-line approval;**
- **Preparation to assume responsibility and liability as correspondent; and**
- **Executing the process of funding and selling a loan.**

Outsourcing the risks

Broker-to-bankers are increasingly accelerating their transition by working with outsourced service-providers. Those seeking to reduce risk, errors and overhead in their mortgage operations while remaining responsive to fluctuations in their loan-closing pipeline view back-office and fulfillment

companies has recently found favor with investors and warehouse lenders, especially those that cater to broker-to-bankers. Warehouse lenders are interested in how broker-to-bankers intend to underwrite, document, settle and post-close loans. Lenders also want to know whether broker-to-bankers' staff is qualified to do all the back-office work; to which investors they expect to sell loans; and with which investors they are approved correspondents.

A reputable fulfillment outsource provider earns referrals from warehouse lenders and investors by enabling broker-to-banker customers to execute their responsibilities flawlessly. Outsource providers can not only perfect processes, but they also offer broker-to-bankers access to best-practice-enabling services and automation. As such, emerging mortgage bankers can leverage multiple fraud, compliance and document-system choices that would not be practically managed or financially feasible to maintain with an in-house back-office-operations model.

Broker-to-banker aspirants must determine how they plan to conduct fraud checks on individual borrowers and properties before underwriting — or at least before closing — as part of an internal due-diligence process. There are a number of automated tools in this arena. Although they do not guarantee prevention of fraud, such effort goes a long way in demonstrating a good-faith effort to prevent any such occurrences.

Broker-to-bankers should think seriously about their ability to not only conduct com-

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pliance checks, but also to anticipate investor preferences for which tools are used.



Unless broker-to-bankers wish to manage the kind of operational detail required by a complex process fraught with risk, using an expert outsource partner to cover these aspects can be beneficial. Especially now, broker-to-banker operations must focus on originations — their front-end income generator — and ensure the vitality of relationships with warehouse-lender and investor partners.

Back-office and fulfillment outsource providers can ensure new bankers the best-possible salability turn time by helping them to meet the investors' and warehouse-line providers' requirements. By tending to these relationships, broker-to-bankers not only ensure their immediate survival, but they also create a foundation that will support continued growth and success. 