UpFront Mortgage
Magazine

Saving Green
How to help your clients pay less at settlement

Call To Action

Welcome to July's issue of Upfront Mortgage Magazine. Thank you for taking the time to learn about the Upfront Mortgage Brokers Association and how we are fast becoming the informed consumers' choice for locating honest and ethical originators in the United States.

Jeff Jaye

This month I am asking for a call to action to help more consumers work with more Upfront Mortgage Brokers (UMBs). UMBA is currently looking to increase its membership in states that have little coverage for its homeowners looking for home loan originators who can work under the UMB Commitment of transparent lending practices.

Our Web site is getting requests from all 50 states and with new and tougher lending requirements requiring shops to be a brick and mortar in each state we can't handle all the loan inquires that are coming in. That is where you the originator comes in.

Please take a moment to visit our Web site and learn about the membership values of the Upfront Mortgage Brokers Association and how it can increase your business and loan closing volume. The opportunity to become an UMB and be the only one or one of a small number in your community is too good to pass up. We have reduced our annual fee to assist all loan producers to only $200 per year. Success stories from our members that membership in UMBA have increased closings by 50 percent a month are not uncommon.

See for yourself why becoming an Upfront Mortgage Broker and having you or your company a part of this National Association is of tremendous value. I can think of no other Association that actually promotes and works to drive consumers to you! We look forward to having you in Upfront Mortgage Brokers Association.

Have a great closing month!

Jeffrey J. Jaye

President

Upfront Mortgage Brokers Association

www.upfrontmortgagebrokers.org

Saving Green

How to help your clients pay less at settlement

By Jack Guttentag

You have probably read many articles on the differing views on how borrowers can best prevent overpaying on settlement costs. I would like to compare the different approaches so you help your clients make an educated decision.

Why Education

The consensus view is that borrowers confronted with a list of settlement charges should prepare themselves to challenge those for which there is no justification, and those that are legitimate but priced too high. The preparation consists of educating your clients about the mortgage process in general. It includes educating your clients about the various settlement charges so they can ask relevant questions and challenge the figures where it seems appropriate.

The education process should involve discussions that encourage your clients to talk to other borrowers, to access relevant articles in the media, and visit informative Web sites, especially those of HUD, the Federal Reserve, and the FTC.

The problem with this kind of advice is that it takes the borrower's eye off the ball, which are the interest rate and the total of all fees. Since the loan provider will not take his eye off the ball, a focus on bargaining down individual fees is playing the game on the loan provider's turf. This approach, furthermore, ignores important differences in dealing with lenders and with brokers.

In dealing with lenders, borrowers should distinguish points, which are an upfront charge by the lender expressed as a percent of the loan, fixed-dollar fees by the lender, and third party charges.

When lenders quote interest rates, it is always accompanied by points. These are viewed as the “price” of the loan, which is reset every day as the market changes. Rate and points are reported in the media. In shopping loan providers, borrowers typically focus on rate and points.

In contrast, fixed-dollar fees are not reset with the market, are not reported in the media, and in most cases are not known to borrowers until they receive the Good Faith Estimate (GFE). Since a GFE typically is not issued until after

Upfront Mortgage Brokers explicitly guarantee lender fees once the lender has been identified.

a borrower submits an application, the borrower is at least partially committed to the lender by the time he discovers what the lender's fixed-dollar charges are. His bargaining power arises solely from his willingness to start anew with another lender. If he doesn't have time for that because of an impending closing date on a house purchase, he has no bargaining power at all. It is no wonder that fixed-dollar fees are a major source of abuse.

The remedy is very simple. When borrowers shop lenders, in addition to rate and points, they should be told to ask for the total of fixed-dollar fees. Not a list, the detail doesn't matter, all that matters is their sum total. Then have them ask the lender to guarantee the total in writing. Many lenders guarantee their fixed-dollar charges as a matter of course, including the Upfront Mortgage Lenders listed on my Web site.

Third party charges can't be negotiated with the lender, and very rarely do lenders guarantee these charges. However, the lender must estimate them for inclusion in the GFE. The borrower should be alert to the possibility that the lender is low-balling these fees to make his deal look better.

The largest of the third party charges is title insurance, and borrowers today can often beat the price charged by title companies selected by the lender by purchasing it themselves online.

In addition, borrowers who deal with a mortgage broker rather than a lender can shift their focus from shopping settlement costs to negotiating with the broker. Borrowers should approach the broker as a service provider who gets paid a fee that is negotiated at the outset.

Just make sure that the broker fee includes any payment to the broker from the lender. Upfront Mortgage Brokers operate this way as a matter of course, and many other brokers are willing to do business this way with educated borrowers who understand the value of broker services.

One of the services UMBs provide to their clients is to protect them against lender over-charges on fixed-dollar fees. Dealing with a mortgage broker pretty much eliminates fixed-dollar lender fees as an issue to the borrower. The fees charged by the wholesale lenders that brokers deal with vary little from one lender to another. Upfront Mortgage Brokers explicitly guarantee lender fees once the lender has been identified. ✦

Note: On Jan. 1, 2010, a new GFE will take effect along with some new protections for borrowers.

Jack M. Guttentag is Professor of Finance Emeritus at the Wharton School of the University of Pennsylvania, and founder of GHR Systems, Inc., a mortgage technology company. For more information please visit his Web site at www.mtgprofessor.com.

Memo to Brokers:

Your credit check process may stunt your growth

By William DiPaolo

The last year painfully illustrated the dilemma most brokers have been facing for some time now. Even when financing becomes available, finding qualified individuals is about as daunting of a challenge today than at any time in recent history. The slightest imperfection in a credit report can derail a loan process.

However, brokers shouldn't take a credit report's conclusions at face value and show prospects the door, because chances are they leave money on the table when they do.

Take Nothing at Face Value

In most instances, brokers simply request credit reports from the usual suspects to see if an applicant's score is high enough to qualify for a specific loan. Very rarely does the service provider have the time to analyze the documents in detail for what often times are inconsistencies or errors that, if corrected, would qualify that individual for financing.

This might not have been a large issue five years ago. Today's a different story; simply taking credit reports at face value could mean that qualified applicants walk out the door without the loan officer even knowing it. Now more than ever, mortgage brokers need to expand their analytics capabilities to uncover any and all opportunities for new deals.

Technology to the Rescue

Herein lies the dilemma. No broker, or firm for that matter, possesses the resources to spend the required amount of time to comb through reems of paper in order to find every single questionable entry in a report. Such processes, while beneficial, must be automated in order to be of true value.

To do this right, loan officers should consider leveraging existing Web-based systems that can perform "credit proof reading," identifying potential data errors and offering steps to rectify these discrepancies to quickly increase an applicant's score. Doing so affords mortgage brokers and underwriters a better understanding of a person's actual credit potential, and enhances the financial service professional's closure rate, operational efficiency and sales pipeline.

There are many different options from which to choose, but the more beneficial solutions include:

- Identify ways to legitimacy and permanently raise an individual's credit score within 72 hours.
- Resubmit the applicant's information for rescoring during that same three-business day period.
- Integrate with other systems that can help declined applicants sign up for self-paced programs to help them raise their scores with the intent on reapplying once they can qualify.

Benefits Abound

Uncovering new sales opportunities notwithstanding, such tools can provide mortgage brokers additional benefits, including:

- Providing additional revenue streams by taking unqualified candidates and offering them turnkey services at a flat-rate fee to help improve their credit scores.
- Increasing the sales pipeline turning prospects that may not qualify at present into potential customers within a year.
- Improving customer services, thereby raising referral and retention rates.

What's more, elevating customer and consultative services will be the new standard for mortgage brokers and their firms as the economy turns around. Consumer lending and spending habits are changing, and while the availability of credit will rise in the coming months, consumers will be looking for partners who can provide valued services beyond the actual transaction. However, that won't mean the return of ample support staff; competition will be too fierce to support such overhead. Instead, technology platforms will be essential to making this happen. ✦

William DiPaolo is the managing partner of Cogent Road (www.cogentroad.com), a San Diego-based technology company focused in helping mortgage lenders improve their ability to identify qualified loan candidates, as well as improve their productivity, revenue generation, profitability and service capabilities. He can be reached at william.dipaolo@cogentroad.com.

Sure-Fire Ways to Advertise Your Mortgage Business

By Roger Boatwright

Do you own a mortgage business or thinking about starting one? Well, the one thing that every mortgage business owner needs to know is that in order to survive, you need customers willing to pay for your services. The only way to drive customers to your business is to advertise. There are defiantly many ideas about advertising, but below please find several sure-fire ideas to get started with.

1. Show your prospects how much enthusiasm you have for your product and business. If you're convincing enough, they will be enthusiastic too.
2. Use logos and slogans for your business. They make it easier for people to remember and identify your business. For example, how many times have you had a problem and the first thing that popped into your mind is some business' logo or slogan. It's almost like an automatic reaction.
3. Ask your customers what they would like to see offered by your business in the future. This type of information can boost your sales.
4. Find out your competition's weakness and use it as your "Unique Selling Proposition." It's the reason why people choose your services and not theirs.
5. Test your advertising and marketing. You'll save time, money and big headaches promoting the right offer to the right group of people.
6. Improve your customer service on a regular basis. Try out new technologies that make it easier to communicate with your customers over the net. ✦

Roger Boatwright has a Doctrine of Medicine and many years of Internet marketing experience. Boatwright owns a Web site listing many tools needed to help promote and make your business successful.

Most mortgage transactions are governed by truth-in-lending. The truth-in-lending laws, and other related laws, were enacted many years ago. Over time they were updated in an attempt to protect the consumer from unscrupulous mortgage brokers and lenders. Over time, these laws also have evolved into very difficult and obtuse laws for the normal citizen to understand. Former Secretary of HUD, Mel Martinez, stated that he bought a home and said, "You should not have to be a lawyer and the Secretary of HUD to figure out this process."

Understanding The Truth

Dealing consistently and being upfront with all your borrowers

By Gary Opper

While this process of finding a new home can be confusing, frustrating and tiring to a borrower, the whole process could be made more pleasant with your commitment to truth-in-brokering. If everyone adopted this three-point plan, outlined below, as their truth-in-brokering all mortgage brokers would become mortgage professionals.

Deal Fairly With Borrowers

You cannot disclose enough to your borrower -- you should always have full disclosure. As a professional mortgage broker you should over-disclose to your borrower. Talk to your borrower and make sure there is no mistakes and that

Being trustworthy in business is not difficult.

Start today in a small way and build your reputation to a high level.

your borrower understands and has heard you correctly regarding all the terms and conditions of the loan.

Have the borrower repeat the terms back to you. When you provide documents to your borrower to sign, there should be no empty blanks. All the blanks should be filled in before the borrower signs any disclosure, estimate or application.

Deal Fairly With Professionals

Let the professionals involved in the transaction do their job — starting with the appraiser. Give the appraiser the address of the property and nothing more. Do not influence the appraiser to "push the value." Do not influence the appraiser by giving him a number for which to shoot for.

Appraisers are in the business of appraising property and not "hitting a number." When a mortgage broker unduly influences an appraiser it causes a series of items to happen. In addition to the fraud that might be perpetrated, the borrower may be over-paying for a property, the lender may be over-lending on the property and the borrower may be over-mortgaging the property. This may put the loan in jeopardy.

Your account representative is there to smooth over your relationship and shepherd your loan through his company. He is not there to give you pointers on how to beat the system. Do no put your account representative in the position of choosing his commission and your business over the interest of the lender and the borrower.

Let the title company do their job. Do not try to influence the title company to overlook liens or judgments or other possible defects in the title. Make sure that the title is clean. The problem with quick title work is that at a future date, when a sale or refinance is contemplated, the new lender's title company or the buyer's title company may not accept the poor work that may have been performed earlier.

Do no attempt to influence your title company to overlook breaks in the chain of title or other possible clouds on the title. You will be doing a disservice to your client when he attempts to do any transaction in the future. It is better to solve the problem today than to solve the problem five or 10 years from now when the principals who could correct the problems are no longer living in the area or possibly are no longer living.

Deal Fairly With the Lender

When you present a package to the lender give the lender full disclosure. Do not make the lender guess why you presented the loan package for approval as a certain program. Have a cover sheet with the file, which clearly and succinctly explains and highlights the positives and the negatives of the loan application. Your lender will be refreshed by the candor of your letter.

As with the borrower, you cannot disclose too much to the lender. The lender wants to feel comfortable about making the mortgage loan and about your integrity regarding the mortgage loan.

The Road to Truth-In-Brokering

The road to truth-in-brokering, on a personal level for you, is through education, high ethics and the right friends. First, education through reading and through seminars will help you learn what the state and federal laws are and what is expected out of you, regarding the laws and regarding your behavior.

Second, ethics classes and a high moral standard will guide you to the right decisions. When you have an ethical dilemma, simply ask yourself, "What should I do so that the CBS television show, 60 Minutes, would be uninterested in this transaction or in my behavior?" Also, becoming a member of the Upfront Mortgage Broker Association is also a good step.

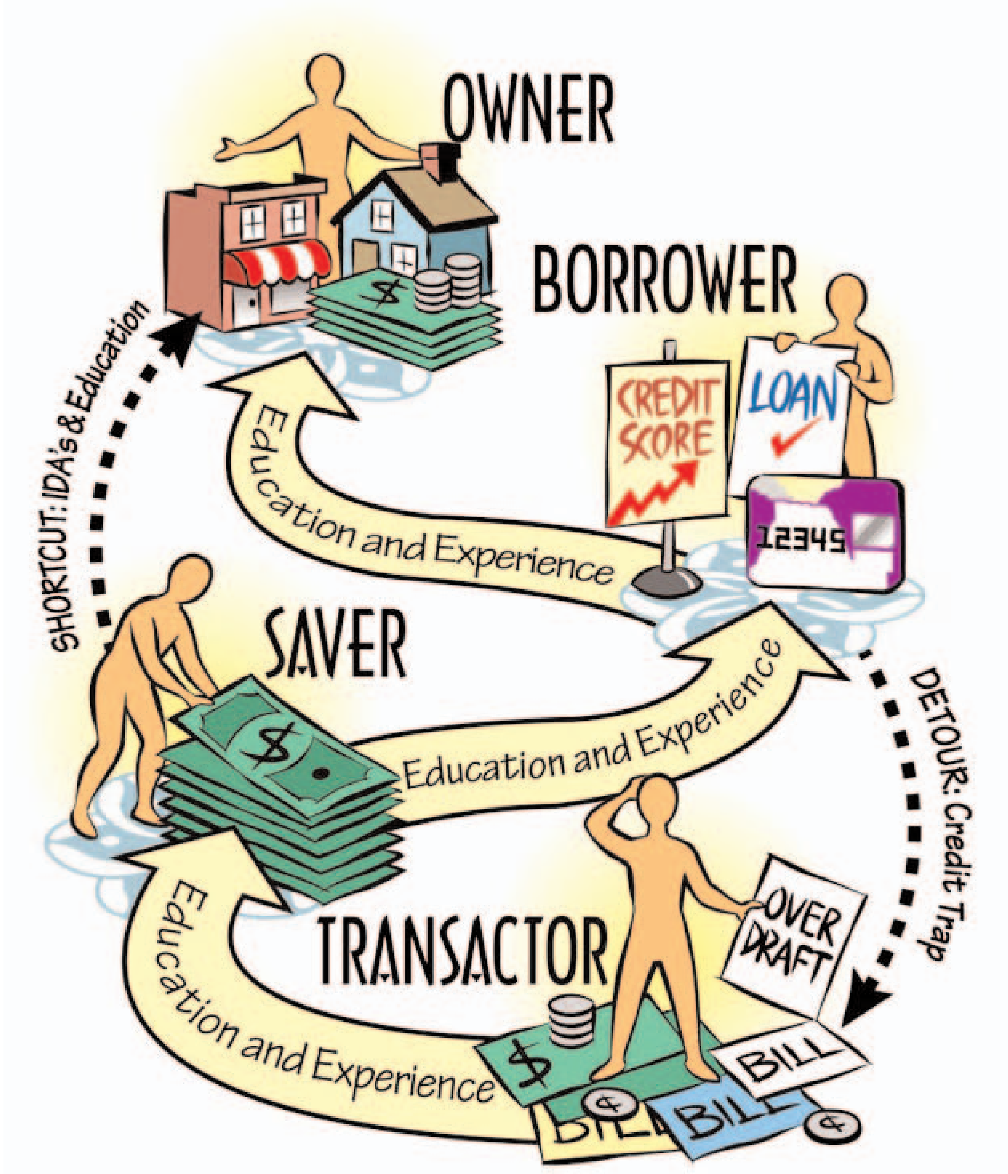
Third, your group of friends has a high influence on your behavior. President George Washington stated that he would rather be alone than with the wrong friends.

Your trustworthiness will be rewarded many times and in many ways in the future.

Sometimes, you are better off not having someone as a friend than having that friend provide you with bad influences. That "friend" could be your employee, your employer, an account representative or a colleague in the business. If the weight of your friend is preventing you from flying with the angels then you may consider dropping your friend and soaring along the right path.

Being trustworthy in business is not difficult. Start today in a small way and build your reputation to a high level. Your trustworthiness will be rewarded many times and in many ways in the future. ✦

Gary Opper is president of Approved Financial Corp., based in Weston, Fla. Opper has been a mortgage lender and note buyer since 1984 and he also does mortgage consulting. He may be reached at (954) 384-4557 or e mail opper@approvedfinancial.com.



Who Gets A Loan?

There is no single silver bullet that determines creditworthiness

By Jacob Barron

The causes of the global financial meltdown have been pored over and discussed ever more vividly and frequently since banks started folding and bailout measures were passed in the last half of 2008. While it was easy at first to find a quick scapegoat -- namely the admittedly troubling concept of corporate greed and the role it played in the downfall -- analysts, regulators and laymen alike have concluded that the credit crisis has not happened quite so simply.

In fact, multiple well-intentioned policies and programs weighed negatively on the economy, as did widespread financial illiteracy, greed and sins of both commission and omission. It is important to remember that many businesses and mortgage brokers gave up on the idea of due diligence throughout the downfall -- and were willing to accept certain securities and financing setups that, with a little more investigation, would've been promptly rejected by any reasonable financial manager.

"There's plenty of blame to go around," says Ben Boylan, a vice president at Coface and head of the company's rating service in North America. Boylan noted that while much of the responsibility for the subprime mortgage explosion lies with the companies that structured these securities and the companies that rated them higher than they should have, it's also important to remember that risk managers from around the globe relied too heavily on one rating or embraced the same short-sighted methods as issuers and rating agencies. "It's easy to point the finger at the ratings, but they have their counterparts."

The ratings to which Boylan is referring specifically are those issued by big agencies such as Standard Poor's, Moody's and Fitch -- companies that have recently discovered that the one certainty which can be drawn from any crisis, including the one currently shackling the global economy, is that regulation and government intervention are inevitable.

Legislators and regulators the world over have sprung to action, charged with both improving the current state of global credit availability as well as making sure this crisis never repeats itself. And one of the first sectors ripe for regulation is the credit rating industry.

The heavy reliance on ratings as a means to judge an entity's creditworthiness and its issued financial obligations, coupled with rating models that didn't accurately or correctly judge such an item, led many to make poor investments, which in turn led to the collapse that's currently gripping the global credit markets.

This fact has not been lost on the SEC or the EU, but until this point, regulators on both sides of the pond have approached credit rating agencies with uncharacteristically gentle methods of supervision. "I would say up to this point the regulation has been a pretty light touch," says Boylan.

Despite playing roles in some of history's biggest corporate scandals (including Enron and WorldCom), credit rating agencies have, until recently, largely evaded scrutiny; it seems that it took a giant mess like the subprime meltdown to get regulators' attention.

"To a major degree, the credit rating agencies here have been self-regulating and everyone was somewhat fine with that, but with the way things have played out, a lot of people are questioning the value of the ratings," Boylan explaines. "They seem often not to be on the leading edge of events but on the trailing end."

The SEC and the EU have already passed regulations that seek to combat the problems and loopholes that allowed these entities to contribute so notably to the financial meltdown. For example, conflicts of interest in the industry have been targeted; the SEC has included a measure that forbids credit rating firms, and any of their affiliates, to issue a rating to a company that the rating agency is advising, underwriting or sponsoring.

EU regulations actually forbid credit rating agencies from providing any advisory services at all and also prohibit them from rating any financial instrument if they lack sufficient quality information upon which to base the rating. Transparency in the industry has also been addressed; both EU and SEC regulations now require credit rating agencies to disclose a great deal about their models, methodologies and other information describing how they generate their meetings.

Whether credit ratings become more accurate or more reliable, or whether there's little change at all, the case of credit rating agencies serves as a crucial reminder to mortgage brokers and lenders alike. No matter how accurate a rating or a score seems or how

many promises a product seems to make, there's no single silver bullet that determines anyone or anything's creditworthiness.

"In the end I think it comes down to the fact that putting too much reliance on a single rating is never a good idea," says Boylan. "It should be one tool among many that risk managers have. Outsourcing the risk management is a standard practice and a good one, but it doesn't relieve the risk manager's responsibility." ✦

Jacob Barron is a staff writer and the government affairs liaison with the National Association of Credit Management (NACM), the leading resource for credit and financial management information and education. Barron can be reached at jakeb@nacm.org.

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