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Disconnect between Wholesalers/TPOs Seen; By Bonnie Sinnock

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NEW YORK -- Despite the increas-ed competition in what has generally been a more challenging market and the stated aims of most lenders to make their dealings with their origination sources as conducive to the latter as possible, it appears third-party originators have been experiencing some frustration due to a disconnect between what they want and what lenders give them.

Among the areas where this disconnect can exist is in the customized automation that so many lenders work so hard to make TPO-friendly, Daniel Jacobs, chief executive officer of national mortgage broker **1st Metropolitan Mortgage**, Charlotte, N.C, indicated in a phone-based roundtable discussion that took place between he and a group of origination technology and service providers recently.

"A lot of times ... [lenders] will invest rather enormous amounts of money to communicate in one way - in one rigid way, their way," when trying to reach third-party originators, he said. This generally manifests itself in the form of wholesalers' proprietary websites that require brokers "to manage multiple programs, multiple websites, multiple passwords [and] toggle between programs, Mr. Jacobs said.

"It's inefficient, and I think there's soon going to come a point where not just brokers but I think, generally speaking, Americans are going to say 'enough is enough'" when it comes to this technological trend, he said.

"I'm not saying that every company should use one platform or one type of technology. I think people should create some unique personality with their technology but I think ... they're going to ... [need] to integrate it with the major programs that people are using," Mr. Jacobs said, citing as examples of the latter the couple of loan origination systems used by the majority of the industry.

"In order to make the life easier for the broker you [need to provide] easy tools for integration," agreed Michael Van Hee, chief executive officer of Sollen Technologies, Dallas, who noted that, while his technology company primarily serves correspondents, he indirectly has some knowledge of brokers' concerns.

"I think that people need to realize that they've got to have access through a few of these common portals and not be so proud to think that if they create the best technology out there people are going to use that exclusively. It's not the nature of brokers to do anything exclusively," Mr. Jacobs said.

Brokers may not do anything exclusively but they do favor lenders that have automation that makes them easy to work with, said Rob Katz, executive vice president of origination technology provider and Fiserv Inc. subsidiary Del Mar Database, San Diego.

"What we've heard from brokers and what we hear from our clients is that the average broker is approved to work with 40 different lenders but sends the same file to the same three or four lenders day in and day out. ... It's the tough loans that go out to the other 36 or so," he said.

Loans, and loan files, lenders find tough to deal with have become more prevalent in the more challenging market environment seen recently, according to Mr. Katz, who said he believes wholesalers have allowed this to happen by loosening their standards for files in an effort to bring more volume in the door. Interestingly, although wholesalers that have done this have characterized is a broker-friendly move, not all brokers - particularly those that would like to weed out "junky" originators and maintain a certain level of quality in the industry - like it, Mr. Jacobson said.

"I think that mortgage brokers and loan originators have over the last five years demanded more and more commission and been willing to do less and less work and they've been able to demand that because lenders have accommodated," he said. Some discussion participants indicated that this concern could perhaps be addressed through programs that reward originators for quality originations or files - perhaps by offering brokers something else that they have wanted but have not been getting and that is more control and/or access to information in the loan closing process.

"What brokers want really to focus on is they really want more control, so they can give better service," said Kenney Hayes, the Seattle-based chief operating officer of management consultant Mortgage Banking Services Direct, Austin, Texas, noting that they can build on this to obtain other "wants" that they have such as education and better recruiting, ultimately allowing them to make their companies stronger and more valuable.

"I think a lot of them want to build value so they can sell it later on," she said.

Mr. Jacobs agreed that more control, in combination with more efficient communication, would be helpful to brokers.

"As brokers, we are in the middle, we're out there finding borrowers ... and we're matching them to loan programs and lenders. Unfortunately we have no control over the service levels that the lender provides.

"We [may] tell a borrower we expect to hear back [about] an underwriting decision in 36 hours because that's been our experience recently. [But] we may not. We might not get it for 72 hours just because something changed and we didn't get notified and now our credibility has waned in our consumer's eyes and it's somewhat frustrating. And so I think ... some consistency, reliability and some really excellent communication ... with our lenders would help tremendously for us to be able to deliver what we say we're going to deliver every time and not wonder if we can even make a promise or a prediction."

But while brokers want more control they ultimately expect lenders to be the leaders in the business relationship, discussion participants indicated. Ultimately, the lender is "at the top of the org chart," Ms. Hayes said, but she also noted that "a lot of that control can fall more softly into the lap of the broker."

In looking at reasons why lenders may have fallen somewhat short in addressing this and other business concerns, Ms. Hayes said it may be because "most of them have been lenders for a very long time and don't really understand the day to day operation that a broker goes through."

Another reason brokers may not be getting, for example, the control that they want is because "with the regulatory and the investor requirements and fraud really being a huge shadow over the brokers giving them a bad reputation the lenders are clamping down on control," said Cary Burch, chief executive officer of origination technology provider LSSI, Poway, Calif. Given the Real Estate Settlement Procedures Act lenders may be limited in terms of what they can offer as incentives to encourage loan or loan file quality, said Mr. Burch, whose company's offerings include compliance automation. Internal competition with a retail channel also can be a roadblock when it comes to getting brokers what they want, Mr. Burch said.

Although challenges exist, the improved business relationship that can be achieved by addressing brokers' frustrations may make doing so worth it, according to Ms. Hayes.

If the lender has the same vision as the broker, "it's a marriage in heaven," she said. http://www.originationnews.com http://www.sourcemedia.com

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