

Mortgage+Care

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Please contact us at (800)481-2708 or www.mortcare.com for a list of mergeable documents.*

"THE SECRET OF SUCCESS FOR TRUST DEED INVESTMENT FIRMS AND THEIR CLIENTS IN THE YEARS TO COME"

As I have pondered and began to accept the reality of change my industry has evolved toward, I have come to focus on one very important issue: My Company has continued to respond to increasing and ever growing demands of portfolio/asset management at a financial loss. Demands resulting from the onslaught of Consumer laws, Lender protection policies and ever increasing Department of Real Estate and Department of Corporation regulations for the improvement of product designed to appropriately benefit the Lender, to name a few:

1. Increased underwriting standards.
2. Increased liability to the Broker.
3. Increased notification requirements for Borrowers.
4. Paralegal level services by Broker for loan enforcement cases; work-out agreements, etc.
5. Department of Real Estate audits/quarterly trust account reports submitted to regulating agencies; as well as annual audited review.
6. Increased legal education required classes.
7. Increased documentation for loan disclosures (average loan documents package entails an excess of 15 documents)...etc.

Do not misunderstand, I am for regulation and compliance requirements as it provides the process of eliminating companies that do not withstand the test of integrity and perseverance combined with a commitment to learn from mistakes.

I am primarily sharing this information to prepare our Clients for the unanswered need for change to ensure healthy business practices in the future.

With President Clinton signing into law the new "High Cost Mortgage/High Risk Mortgage Law", (effective October, 1995) a distinct message is being sent to the lending community, cost must come down for the consumer!

My company has responded by lowering commission and processing fees. However, common sense dictates that in order to continue appropriate advocacy for the Lender/Beneficiary, operating costs must be met on an ongoing basis to provide a solid foundation for the Brokerage to perform on behalf of the Lender.

The wave of the future is here now and only those Brokers that have the courage to respond to market demand by restructuring cost paid by the Borrower to the Broker for arranging the loan will remain in business. In order to compete, we have adjusted to ___% to ___% percentage points as compared to ___% to ___% points of the past. Some Company budgets require ___% to ___% points to maintain loan agent splits, staff salary and prudent legal review expense as preventative medicine.

Points had to be substantially higher than institutions, as Lenders were unwilling to pay what institutions were paid; which is approximately ___% to ___% margin spreads on their portfolio for loan servicing, with a higher volume as well.

What am I saying? Higher yield participation between Lender and Broker at a minimum of ___% to ___% per loan is unavoidable to maintain a level of trust deed investment quality and service.

The Broker is at risk with every transaction arranged by virtue of the Broker's license providing the exemption from usury laws. Additionally, we provide the expertise to compile the necessary disclosure documentation to the borrower to assure the loan is prepared within the parameters of the law. While these expectations are appropriate and reasonable, they cannot be instituted without adequate remuneration.

If a Broker fails to consider future risk and subsidiary expense for every loan arranged on behalf of the Lender, the Broker will virtually eradicate the incentive for being in business in the first place...profit.

Additionally, the old days of "make the borrower pay for it all" are gone and perhaps appropriately so, (does not affect legally reimbursable costs in the event of enforcement). It is prudent practice to not allow the borrower to develop an attitude that if they pay substantial origination fees along with yield they are owed a greater representation. It is our practice to declare our advocacy as agent to the Lender superior to that of the borrower after the loan is consummated.

The trust deed investment industry must now, more than ever, learn from Mortgage Banking servicers that approximately factor in future expense while remaining competitive and profitable.

As a Broker, while we successfully negotiate rates acceptable to the Lender, we must not forget we both need a willing consumer, which are not as readily available with so many Mortgage Banking institutions establishing loans for "B" through "D" paper product.

In essence a territory that once belonged primarily to private Lenders, pension/profit sharing plans and the like, are now being edged out by institutions who want a piece of our pie and are getting it because we have failed to compete with lower cost.

Another words, the once guarded power of the private Lender is diminishing by virtue of the rule of supply and demand due to competition with Banking institutions that came to realize private Lenders decreased in opting for T-Bills and CD's....thus why not enter our world and compete accordingly?

Broker and Lender must now be cohesive in an effort to compete in the market, while at the same maintaining a respectable yield exceeding T-Bills or CD's generally by a ___ percent margin in exchange for the known risk that has always existed with real estate lending. Of course, discounted and special nonconforming loans still exist for the Lender appetite that demands more.

We have attempted to absorb rising costs over the past ___ years, however, in a move to remain competitive while continuing to provide Lender advocacy, _____ will be reviewing their portfolio. We will need to make adjustments to service rates where needed, while making as effort to keep adjustments equitable and to a minimum.

Acceptable yield margins on a per loan basis (not per lender), currently exist with a good percentage of our more recent loans. Loans older than ___ to ___ years may primarily be affected, as fees were considerably lower, while yields higher.

Additionally, I am informing Lenders that in the future the minimums referenced earlier will apply for new transactions, rewrites and/or modifications.

In conclusion, I wish to extend my gratitude to my clients for their level of loyalty offered over the years. Without a doubt, it is this Broker's intent to service for an increased level of service and representation for all Lenders in the years to come by virtue of your advocacy offered in return.

I have established a voice mailbox to offer comments if you wish by dialing _____, and upon hearing the initiation of our automated announcement, dial extension ___ on your touch-tone phone. Your comments will be confidentially recorded and responded to personally by me. Kindly allot no more than one to two minutes for your commentary.

In your service,
