By Joe Garrett & Mike McAuley

Ten Things to Do in 2015

Although we're well into 2014, it's never too late to set goals and establish priorities. Here are 10 things it is hoped you're already doing—but if not, this can be a good reminder for the coming year.

1. Centralize disclosures
We're not certain why, but loan officers seem to like handling their own disclosures. The truth is, however, that compliance is too important to be left to salespeople. It really should be centralized, and handled by people who do this full-time and whose job is to stay abreast of all changes.

2. Prepare a budget and a business plan
Very, very few companies we visit prepare budgets, and that's certainly true among smaller mortgage bankers. But a budget is really just a roadmap of where you want to go, and it goes hand-in-hand with a business plan.

If you were to drive from Los Angeles to Boston, you wouldn't just jump in your car and head east. You'd want a plan with some detail on what freeways to take, how many hours you'd drive each day, maybe some plans on booking hotel reservations ahead. And just as you wouldn't take this journey without some planning, running your business without a plan is somewhat like this.

If you can't measure it, you can't manage it. There are all sorts of ratios and metrics that will help you better manage your company.

At its most basic, a budget will show you what you want to earn for the year and will describe the assumptions you use. When we see companies that have an earnings goal, they tend to earn more than companies without such a goal. We see it all the time.

The musical *South Pacific* had a line, "If you don't have a dream, how you gonna have a dream come true?" You could change it to "If you don't have an earnings goal, how you gonna make that goal come true?"

3. Measure leakage
If you build in, say, 250 basis points of profit for an FHA loan, you should know exactly how much you actually *did* earn. This may be the biggest determinant of underperformance we see. It can be as simple as taking the original rate lock and stapling it to the purchase advice. If both don't show the same profit margin, we call that leakage–and you need to map things back to see what went wrong.

Secondary marketing often takes the blame, but the mistakes that lead to leakage are typically found in operations.

On every single loan you close, you should know exactly how much profit was priced into the loan when it locked, and you should know exactly how much profit you realized when you got the purchase advice. If it's off by more than +/-5 basis points, you need to find out why and develop better controls to stop the leaking.

4. Dump low producers
Some companies are highly dependent on loan officers who close a small number of loans a month, and we understand their comments that if they dumped all these people they'd lose half their volume. We hate to use clichés, but if you keep low producers around, it sends a message that you tolerate mediocrity.

5. Get GSE approval
With so many aggregators getting out of the business or rumored to be getting out, it makes total sense to get approved to sell directly to the government-sponsored enterprises (GSEs)—Fannie Mae or Freddie Mac.

If you have the net worth, do you really need an intermediary aggregator to deal with these entities? There are lots of reasons to sell loans directly to them. Get started on applying for approval.

6. Be 100% bullet proof on compliance
The CFPB is trying to show that it's the new, tougher sheriff in town, and the record fines and restitution amounts are good proof. You need to be 100% bullet proof on compliance, and the best way is to have a high quality Chief Compliance Officer. Overpay if you have to, and try to get one with commercial bank experience. You'll be better off with someone with ten years of bank compliance experience and no mortgage background than someone who's done compliance at a mortgage banking company exclusively for 30 years.

7. Commit to better reporting
If you don't measure it, you can't manage it. There are all sorts of ratios and metrics that will help you better manage your company. If you're not analyzing 20 or more

metrics, you're like a baseball manager who doesn't know his players' batting averages or earned run averages.

8. Measure concessions

Extensions and pricing concessions kill! The top performers measure both and are miserly when it comes to granting them. Also, measure *why* you grant them. Is it because of a borrower's mistake or a mistake the company made?

9. Refuse to accept losses

This ties in to No. 2 about having a budget. You should be fanatical about not taking losses. Top performers have a culture about making good money on every loan and earning a profit each day, each week and every month.

Companies that don't seem to get too agitated about the occasional loss seem to have more losses than those companies that are fanatical about never taking losses. Vince Lombardi once addressed this when he said, "Show me a good loser, and I'll show you a loser."

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10. Have a plan B

Trees don't grow to the moon and good or even decent times don't last forever. Have a written plan that spells out what actions you'll take when business slows. Know in advance the things you believe will define a slowdown, and prepare a list of actions you will take to make certain you remain profitable.

We've seen very few companies do this, but it's probably not a coincidence that the ones that do also happen to be among the best-run companies we've seen.

Joe Garrett and Mike McAuley are principals with Garrett, McAuley & Co., Berkeley, California. They can be reached at jgarrett@garrettmcauley.com and mmcauley@garrettmcauley.com