

To Go Physical or Virtual; Either Way, Manage Your Own Destiny

By Glenn Wallace

IN these tumultuous times many loan officers have been forced into truly analyzing their personal business plan. Banks and large mortgage companies once thought of as impervious to the swings of the market and safe havens for steady employment are folding like decks of cards. Their smaller brothers, mid-size mortgage companies, who have not anticipated the downturn, have been caught with fixed overhead that they cannot support and have subsequently downsized or folded. And even the “Mom and Pop” shop has felt the crunch. With their loan sources drying up and little overhead to reduce, they are just faced with the reality that it is time to do something else while this market goes through its changes. So, what is a loan officer to do? Where should they go? Where is it safe? What is the best opportunity? This article looks to explore some of the options on the table for loan officers that still believe they can make it in the mortgage business.

I was there when the first “net-branch” was opened. It was in New York, back in 1995, with a company called Ivy Mortgage. Things have changed a lot since then including the fact that net-branching is illegal in the state of New York. Back then the concept of a single or group of loan officers leaving a big company and going on their own was a courageous act. There was a lot of security working for a big name bank and the only option was starting something completely on their own. All the aspects of running a mortgage company including: licensing, getting investors, accounting/payroll, processing, marketing, and sales were your responsibility. The net-branch was a novel alternative that offered loan officers the opportunity to focus on what they did best—write loans. The corporate entity did all the back office, non-revenue producing chores. The concept was sound and built on Adam Smith’s Theory of Comparative Advantage, “you do what you do best and we do what we do best and together we produce more than we could if we did it all on our own.” I guess the model worked since back in 1995 there were four or so of us in the Mortgage Originator advertising and you can see the numbers in the business today. Of course there have been many variations on the theme: firms that just “rent a license” (illegal) where the branch simply forwards a piece of the revenue to the licensee for the use of its license. There is no support or back office but the cost is very inexpensive; until you are closed down. Then there are the flat fee deals, the 100% commissions, the basis point arrangements, and the percentage splits: Trying to give our branches the benefit of all the choices, we at Nationwide will entertain and offer each of the aforementioned compensation agreements (except to rent a license!)

But, you have all heard the wonderful benefits of net-branching before. It all sounds so good. However, is a net-branch right for everyone? Why do so many net-branches fail? One of the first realizations of a loan officer making the transition to branch manager is that being “the boss” is not

so easy. It is lonely at the top. And if you do not have the right support from your back office it becomes very lonely! You soon realize that your old manager wasn’t as big a jerk as you thought. Many new branches fail right out of the gate because the manager, who was the top producer stops originating and focuses his attention on everything else: building a sales team, finding and equipping an office, and simply trying to manage a business. Soon he finds out that the loan officers he hired or brought with him aren’t very good and he has become a nursemaid. There are no originations and no money! The sooner he realizes he has to keep producing the sooner he becomes profitable. At Nationwide, we provide the manager with much of the support and tools he needs to make it through this transition and beyond. This includes guidance on keeping the production going!

After a while running a branch many managers look back and say “Was it worth it? Yes, I like the autonomy but am I really making more money?” In many cases the answer is NO! You get tired of originating, but that is what you do best! Many managers hire a slew of loan officers only to find out they can’t produce. They buy leads for them, offer draws, provide training and, at the end of the day, production is barely more than what you did on your own!

This is why we at Nationwide have developed the Nationwide Direct program. This program is an option for loan officers looking for their independence and their ability to earn big dollars, but without the headaches of managing an office. There are other programs that are similar, all focusing on the ability of the key producer to sell! What is important about any program you choose is: the support. Are you provided with the tools you need to succeed? Will you have to chase your money? We learned from others and developed Nationwide Direct to meet the needs of the independent or “virtual” loan officer. Equipped with the latest technologies, our Nationwide Direct sales staff can write and process loans, check their personal P&L’s, and more, from anywhere on the globe. They don’t have to worry about the downtime of getting a branch licensed, the headaches of calculating commissions, someone answering the phones, etc. All they focus on is: selling. So, if there is not a huge opportunity to bring on a group of high-producers, or you do not need a physical presence, then the Nationwide Direct program may be the answer.

Either way branch or virtual, doing it the way you want, is the way to go! 🗨️

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