

Go Dinosaur

One Loan Officer's Po



By Eric Weinstein



I am a Dinosaur and proud of it!

Okay, a little context might be in order for that statement. In a previous life, I was the guy who started Carteret Mortgage Corporation. In 1995, in my basement wearing nothing but a bathrobe and bunny slippers, I grew my one-man mortgage broker shop into, listen to this ... the largest mortgage broker in the country in 2003. Volume was \$4.7 billion ... and that is billion with a capital "B."

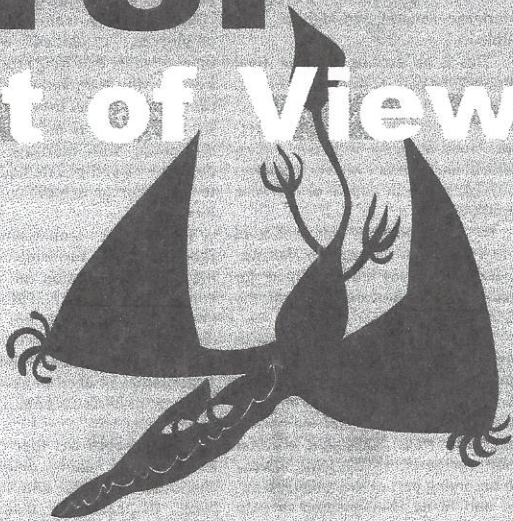
In 2008, Carteret, along with General Motors, Fannie Mae and Freddie Mac went out of business. It was a good run. Carteret was strictly a broker. We didn't go out of business because of buy backs, regulators or anything like that. Volume was just not enough to keep the doors open.

After Carteret, I was convinced, with the new regulations, brokers were dinosaurs doomed to extinction. Look at the laws. Federal bank loan officers are not licensed, don't have to take tests, can even be felons and in personal bankruptcy. All they need is to be "registered." Compare that to your state's requirements. Banks don't have to disclose to the customer nearly half as much as brokers, certainly NOT how much they make on a deal. The laws were definitely written slanted toward banks. So what is a starving loan officer to do? Work for a bank, of course! As I told my friends, "I was a dinosaur, but then when the asteroid hit, I became a mammal. It was evolve or die!"

So, I went to work for a federal bank. When I owned Carteret, we paid our loan officers 70 percent of the income. Now, I know with the new laws, you can't pay a percentage anymore, but if the bank is pricing their loans at 2.5 percent over the correspondent rate sheets, and you are making 70 basis points, it doesn't take a rocket surgeon to figure out that you are really on a 28 percent commission. But hey, you win a free iPad if you do over \$3 million for the month! Forget that, give me 50 percent and I will buy 20 of my own iPads, thank you. When I had the nerve to say something, they started giving us their own rate sheets so that we couldn't see the real price. When I complained, I wasn't making enough money to live on, they said, "Just do more loans." Why didn't I think of that?

Yes, banks do have some good benefits. I could just walk into the underwriter's office and discuss my loan. Yes, I could lean on the closer to get my rush deals done. Yes, I did get some (not enough) referrals from the bank (which were paid on a half commission basis). I complained, but stayed because "Good is the enemy of Great." When things are good, you never think to move or change, because, well ... things are good.

Wings! Point of View



Then, the bank was sold. The new bank decided it did not want a mortgage division and that was that. It took me about 15 minutes to get a new job.

This time, I went back to being a broker. I work for a small shop in Maryland and it is GREAT. If you are a broker, you know the trouble working with wholesalers, having to disclose, rushing to get a deal done, but I am paid 140 basis points on a two percent margin. For twice the income working on a smaller margin, I can put up with the hassles. More money in my checking account seems to soothe much of these loan anxieties, don't you know.

Now, I just worked for one bank, so I cannot speak about all banks. And I have had the privilege of working for a broker that was a past employee of mine that copied my Carteret model, so I don't claim to know everything about every broker. I can only relate to my own experience.

Here it is in a nutshell... and this is my own personal observation. You get paid more at a broker shop than at a bank, but you have more hassles. If you are experienced like I am, the hassles are not that bad. Yes, you put more work into a file, but you get paid more. Personally, I don't do enough volume where I have to worry about being too busy. I would rather work more and make more.

In my humble opinion, banks got a free ride from Congress. Legislation has definitely clamped down on the

broker, while keeping things the same for lenders. The banks have capitalized on this by charging more to borrowers and paying less to loan officers.

Banks now do 80 percent of the mortgage volume, where just a few years ago, brokers did 80 percent of the volume. It is bad enough they are

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charging borrowers more than brokers ever did, but they don't even have the honor among thieves to compensate the loan officer adequately from their ill-gotten gains. Brokers, on average, charge their borrowers less, and pay their loan officers more.

So I am back to being a dinosaur after a short foray into the mammalian world. That's my story and I am sticking to it. Go dinosaurs!

Eric Weinstein worked in banking, on the commercial real estate side until 1991, when he fell in love with residential lending. In 1995, he started a small mortgage company in his basement called Carteret Mortgage Corporation, which in 2003, grew to one of the largest mortgage broker companies in the United States. These days, Eric is semi-retired, doing mortgages by referral only. As he likes to put it, "He is either saving people money per month or helping them buy a new home. What a great job!" He may be reached by phone at (703) 505-8692 or e-mail ewein4u@gmail.com.

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