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## The Banking Branch— A Profitable Alternative

By David Walden

There are many benefits to becoming a mortgage banking branch. This profitable alternative offers the opportunity to manage your own business, while providing the support and backing of a large financial institution and federally chartered depository bank. Support such as closing, marketing, human resources/payroll, technology management and flexibility allows branches to be as large or as small as the operator desires, which suits a wide variety of needs.

Since the Federal Deposit and Insurance Corporation regulates federally chartered depository banks, a branch affiliate of a federally chartered bank gains the advantage of a sound and compliant work environment. With ever-changing state and federal regulations, mortgage professionals require a depth of understanding regarding the importance of compliance issues and a willingness to adhere to standards relating to state predatory lending laws, disclosure of yield spread premiums and HOEPA. Non-compliance with just a single regulation can severely hurt or hinder a mortgage entity. Many firms, however, do not have the ability to provide ongoing training, compliance monitoring or even quality control to keep them on

the right track. A business relationship forged between the branch and its parent company invokes strength and stability, and therefore eliminates the overwhelming stresses a mortgage entity might experience if faced with having to keep up with regulations in an ever-changing environment. Now, originators who previously acted solely as brokers can quickly become mortgage bankers, with many of the benefits and services, but without the considerable hassles.

Having a bank as the parent company provides a branch affiliate with the stability, security, expertise and financial pull that enable a branch to offer the greatest possible selection of mortgage products. Since federally chartered banks are exempt from state licenses, mortgage banking branch affiliates have multi-state lending capabilities. Among the key benefits of branching is greater business potential for originators, lower risk in the marketplace, greater resources, brand recognition, increased efficiency, improved flexibility and technology. The integration of bank technology with branch affiliates provides a higher degree of automation, increases operational efficiencies and can improve market position in re-

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lation to the consumer, by being able to offer a broad range of financial services.

Obtaining warehouse lines, gaining U.S. Department of Housing and Urban Development approvals and acquiring secondary marketing expertise are among the broad array of services instantly available to the branch affiliate. Not worrying about net worth requirements necessary to sign up with large investors and a complete benefits package are among the additional benefits.

In order to maintain, let alone increase profitability and market share, banks must provide multi-channel delivery within the branch, as well as implement network strategies that expand their geographic footprint. This multi-channel delivery system includes functionality for all areas of the branch, which shares in the gain of secondary marketing to offer better pricing. Loans that are closed through the bank's private money or warehouse line are considered a secondary marketing transaction where one can take advantage of the non-disclosed yield spread premium.

Working for a bank is not for everyone, however. The challenges in creating the ideal branch affiliate environment are substantial, and there have been bumps in the road over the years. When you deal with independently-minded professionals, you might experience some problems with standards and conformity, both of which are required for a branch affiliate system to function properly.

Those who seek employment with a chartered bank must be aware that they will have to work in a more structured environment, and follow all of the bank's policies and procedures. These policies and procedures tend to be much more regulated and stringent than those of a privately owned mortgage firm.

If you are seasoned mortgage professional in the market for a branch, why not consider a banking branch? It could be a profitable alternative.

*David Walden is assistant to the director of mortgage banking for Colorado Federal Savings Bank. He may be reached at [dwalden@nyfmortgage.com](mailto:dwalden@nyfmortgage.com).*

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