

BILLIONS vs. TRILLIONS

By: Jeff Long, CPA

Most brokers understand or will soon understand that the private mortgage market is constantly changing. Investors come and go, interest rates rise and fall, seller's attitudes toward seller financing fluctuate, etc. These market changes can catch a broker by surprise and perhaps hurt their income or even put them out of business. Many brokers have diversified their private mortgage business into alternate cash flows such as factoring, business notes, etc. Another group of brokers have diversified by getting involved with loan originations. As many of you know, Financial Resources, Inc. originates residential and commercial mortgages and can help you diversify your business into the exciting world of loans. Thus the purpose of this article is to show you why you should add loans to your offered services, when you should do it and how you can eventually become a branch office of Financial Resources, Inc. should you desire to.

Most brokers do not enter into the cash flow business as their first career. Instead they come from all walks of life with many different levels of business experience. I have talked to many brokers who have extensive real estate oriented experience that has served them well in their cash flow business. Likewise I have talked to many brokers who have had little or no business experience who are struggling with the cash flow business. Financial Resources, Inc. has been involved with ACFA since 1994. We were recently honored with an award for being exhibitors at the Cash Flow Conventions for the last 10 years. Additionally, I have been writing for the Journal since 1997. I mention this to show that Financial Resources, Inc. is 100% committed to working with all consultants no matter what their experience level is.

I am assuming that when many brokers are initially presented with the concept of the private mortgage market, they are taught and they understand that the business is a niche in the grand scheme of the American marketplace. However, I have noticed an interesting phenomenon that occurs in many brokers once they have completed their training and become active in brokering private mortgages. They forget they are working a niche! Now the reason why I titled this article, "Billions vs. Trillions." Private mortgage industry estimates show that the total amount of owner financed private mortgages created annually in the United States are measured in the several billion dollar range. Contrast this to the amount of loan originations done annually in the United States that are typically measured in the trillions of dollars and you can see why loan originations are the main stream. I still advocate working the niche of private mortgages, but I want to encourage more brokers to think about the loan origination market as a means of diversifying.

Now is the time to consider adding loan originations to your offered services and move your business to the next level. If you haven't done so already it would be a great time to read the italicized section of this article. For this explains how you can venture into the residential loan origination business without having a license.

We have found, that sooner or later all cash flow professionals will be asked if they can make someone a loan to buy a house. Traditionally brokers have been trained to say "no" to such a question. We at Financial Resources, Inc. want to teach brokers to say "Yes". Financial Resources, Inc. is a full service mortgage company founded in 1989. The headquarters is in New Hampshire and there are branch offices in Oklahoma and many other states.

The typical cash flow professional does not hold a mortgage broker license and therefore cannot market or solicit for loans. However, sometimes people will respond to an ad that you placed for another purpose. They might assume that you do make loans.

Occasionally you might even be in a conversation with a friend, relative, or business acquaintance who might ask you if you could get them a mortgage. We want brokers to then say, "I can not make you a loan, but I work closely with a company who can" or "we do not make loans however, I can refer you to a company who can". By making such a statement, to our knowledge you will not be in violation of any state mortgage brokering rules.

In all states, except California, the previous words would not be applicable for commercial loan originations. For with commercial loans no license is required to originate and earn strong commissions. Financial Resources, Inc. is very aggressive with commercial loans. This article would be too long, if I were to actually expand on our commercial programs. For more information, please see our consultant information package or my previous article series on commercial loans, as well as my future column on commercial loans.

Simultaneous closings have been touted as the private mortgage answer to the loan origination. In some cases a simultaneous closing is the answer, however, in most cases it is not. I am not going to beat up simultaneous closings for they make up a percentage of our business. Simultaneous closings serve a valuable purpose in specific types of deals. Financial Resources, Inc. understands when and where this type of deal will work for the parties involved. We will gladly discuss the pros and cons of a simultaneous closing versus a loan origination when you send us a specific deal. Why did I bring up simultaneous closings? Because I want to add to my point that if a broker adds the concept of loan originations to her business then she will be able to close more deals than if she were to only focus on simultaneous closings. For more information on this please refer to an article I wrote last year called "The Sandwich." If you would like a copy please e-mail your request and I will be glad to send it to you.

One more reason to consider going to the next level: In our 15 years in the loan origination business we have seen a number of cycles. These cycles typically center on rising or falling interest rates. In a low interest rate boom cycle, as we have been experiencing during the last few years, many new licensed mortgage brokers enter the business due to the perception of easy money. When mortgage interest rates go up, as they most likely will, there are fewer borrowers out there; consequently the fast buck mortgage brokers leave the business. Thus I love it when rates go up for this helps get rid of the mortgage brokers who only know how to handle refinance mortgages. This allows strong companies like Financial Resources, Inc. to grow because our core business is not

based on the ebb and flow of market rates and there is less competition. Of course we handle refinances but our primary business is loans for people who wish to purchase a house. We can work with all types of borrowers, whether they have strong credit or poor credit, or if they have no job or great job, or if they are buying a log cabin or a regular house, etc. Very few companies have the diversity of loan products that Financial Resources, Inc. has. You can learn more about loan originations by reading our informational package that can be e-mailed to you upon request. What does this whole article mean to you? We have 15 years of experience and we are always looking for brokers who wish to grow into a branch office status with Financial Resources, Inc. and join the exciting world of residential and commercial loan originations.

Jeff Long, CPA, is the Director of Commercial Lending and Private Mortgages of Financial Resources, is now in the main office in New Hampshire and can be reached by calling (603) 279-1133, or fax (603) 279-4278 or email jlong@franh.com If you have a residential loan request please contact Cindy Buckmaster in the Tulsa, Oklahoma branch office at (918) 307-1949 or by fax (918) 294-1913 or by email cbuckmaster@franh.com. Consultant Information packages can be obtained by mail upon a faxed request, by e-mail or from the Web site at www.financialresourcesinc.net