Set Yourself APART

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Referral partners value originators who can handle a client's complex challenges

Successful real estate agents listen to their clients so that they can find them the perfect home for their needs. These agents need to know that their mortgage industry partners treat clients the same way — that originators truly listen to find the lending solution that fits a homebuyer's unique needs. >

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This means having a full understanding of the unique lending solutions that are available today, so that you can offer a client the right solution to their unique situation. A small-business owner working out of their home, for example, will have different financing needs than a seasoned investor looking to finance their 12th investment property.

Real estate agents are experts at finding clients, marketing homes and negotiating transactions. The best agents have databases full of hundreds of past clients and a steady stream of referrals. This makes them valuable allies for mortgage professionals who are looking for leads.

When it comes to in-depth know-ledge of loans — especially alternative products such as nonqualified mortgages — many real estate agents don't have the time to keep current on the latest trends. This knowledge gap presents an opportunity for savvy mortgage originators. If you prove you can close complex deals, agents are likely to reward you by sending a steady stream of business your way.

Next to cultural fit, breadth of products is the top reason for selecting a mortgage partner. That's why real estate agents often prefer to work with mortgage brokers, rather than banks and nonbank lenders. Responsiveness and speed are the top reasons to consider a mortgage broker as a referral partner.

To wow real estate agents and keep them coming back with referrals, you'll need to offer something that other brokers can't. Here are several ways to set yourself apart — and to keep that agent-referral pipeline open.

Self-employed borrowers

One of the ways to do this is to provide a commonsense approach to self-employed borrowers. Small-business owners are the backbone of the U.S. economy. Despite their important place in the business world, this group is a challenge for the mainstream mortgage industry.

Conforming lenders aren't sure what to do with self-employed borrowers, even the creditworthy ones. That's because entrepreneurs who engage in savvy tax planning often file tax returns that don't show all the funds at their disposal. This, in turn, undermines an underwriter's perception of their ability to repay a loan.

Nonqualified mortgage (non-QM) lenders meet this challenge by offering bank-statement loans. (Nonqualified mortgages are loans that don't meet the standards to be purchased by the federal government or the government-sponsored enterprises.)

These mortgage programs commonly review 12 to 24 months of bank statements. These products are designed for the unique needs of self-employed borrowers and feature commonsense underwriting. The best programs come with a prequalification review of the bank statements to determine viability. And these loans don't have to be risky. Partner with a trusted lender with expertise in these loans and you can confidently say yes to a new niche of borrowers.

Originators also need to support real estate investors. The housing market and the economy are cooling, but there's still demand for investment properties. The record-breaking run-up in home prices has spurred continued interest from investors.

You can serve them by offering options to finance their needs, including both acquisitions and refinances. Fix-and-flip programs, for instance, are designed for investors in the business of buying distressed homes, repairing them, and either reselling them or holding them for rental income. Debt-service-coverage ratio loans offer a similar approach to a different problem — they allow lenders to qualify investment-property borrowers based on the cash flow generated by the real estate.

Soaring prices

Home prices have soared well out of the range of affordability for many buyers. This past August, an index created by the National Association of Home Builders and Wells Fargo showed that nationwide housing affordability fell in second-quarter 2022 to its lowest point since the Great Recession. Meanwhile, many buyers are equity rich but cash poor — they're sitting on six-figure gains in home values that can only be tapped by selling.

In response to this challenge, a flurry of iBuyers and other startups have launched services to help homeowners transition from one place to another. While iBuyers (companies that use technology to instantly make digital offers on homes) may be convenient, they may not be the best option for a client.

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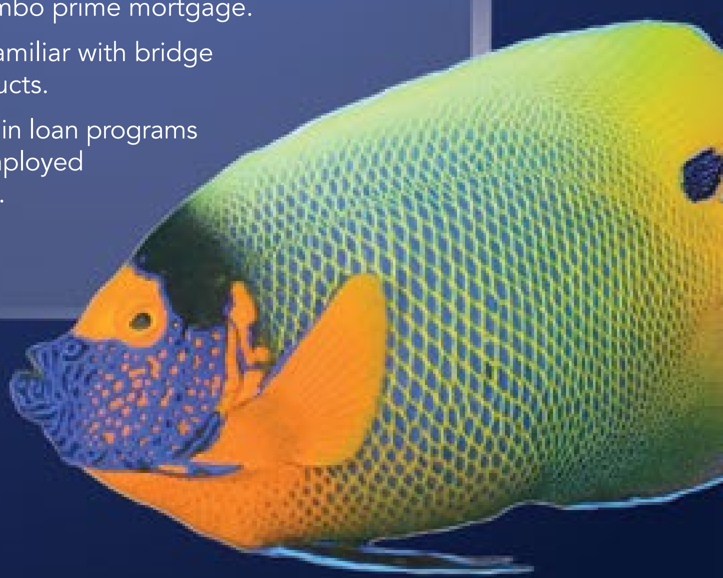
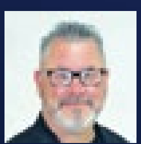
Key Points

Strategies to become your Realtor's go-to resource

- Work with lenders that stand by their word.
- Provide expertise that supports investment-property buyers.
- Develop a comprehensive plan for condominium loans.
- Offer a jumbo prime mortgage.
- Become familiar with bridge loan products.
- Specialize in loan programs for self-employed borrowers.





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Bridge financing empowers borrowers to access equity from their current home to purchase a new home, with no monthly payments on the bridge financing. Borrowers can gain a competitive advantage in a seller's market by making a noncontingent offer on the new property. With no monthly payment on the bridge loan, qualifying for a mortgage on a new property can be much simpler. It also gives the seller time to offload their current home without accepting a below-market offer, which sometimes occurs when a buyer recognizes a strong need to sell.

Also, with home prices soaring, many clients are looking to borrow amounts well above the limits allowed by Fannie Mae, Freddie Mac and the Federal Housing Administration. Some basic statistics illustrate the conundrum: In 2023, the Federal Housing Finance Agency (FHFA) set conforming loan limits for single-family homes at $715,000 in most areas of the country. In many areas of coastal California, however, the median home price has passed $1 million. And that's only the median, or the midpoint, of the market. Many buyers are paying $2 million or more for homes.

Jumbo prime mortgages let you meet this demand. Many affluent homebuyers need financing well in excess of the FHFA limits. Non-QM lenders can address this market gap by writing loans for $1 million or more. The most reliable non-QM lenders promise to give pricing to you and your borrower in minutes, and to simplify your lives with a streamlined, online loan submission process.

In this type of market, condominiums will be a popular choice for many homebuyers. But the tragic collapse of an oceanfront condo building near Miami in 2021 led Fannie Mae and Freddie Mac to further tighten the screws on condo lending. Even before that tragedy, condo financing was difficult to come by. As a result, many condos sell for cash as buyers would rather not jump through the many hoops required to qualify for a conforming loan.

Many real estate agents are frustrated by the tighter rules in today's condo market. To address this financing gap, nonwarrantable condo loan programs allow borrowers to finance units that the conventional mortgage giants would reject. You can stop turning away business and offer financing to borrowers for nonwarrantable condos and condotels. You can expand your network of real estate agents by providing these sought-after loan solutions.

Flexible guidelines

Conforming underwriting is notorious for saying no and being restricted by inflexible guidelines. By contrast, non-QM underwriters look for reasons to say yes. One example is the super-prime/Alt-A loan. Designed for borrowers who just miss the guidelines of Fannie and Freddie, these non-QM programs help to close deals.

These loan programs are offered to borrowers with excellent credit, along with highly competitive rates that are not available through conventional lenders. And the best non-QM lenders also offer unsurpassed funding times.

In today's mortgage market, every business opportunity is precious. Seek out lenders that stand by their word — when they issue an approval, you can count on that commitment. In this time of market uncertainty, that's not something all lenders can say.

While some loan originators write their approvals in pencil, others write approvals in ink. Nothing annoys a client or cranks off the referral spigot like a lender backing out of a deal, leaving both the agent and the client stranded. In addition, some lenders offer a prequalification review process prior to formally submitting the loan, which addresses potential exceptions or unusual situations. Forward thinking like this means few, if any, 11th hour problems at closing.

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There you have it — several options for mortgage originators to serve the needs of real estate agents and their clients. Many agents have real pain points and a deep database of clients. If you can become a trusted ally and partner, you can tap into their valuable networks. ●