

CASE STUDY:

Finding the right relationships for growth. A unique certification through CastleLine[®]

Peoples Mortgage: a trusted, independent mortgage banker. Since 1998, Peoples Mortgage has been a trusted provider offering home buyers competitive real estate financing and top-notch customer service. Over the last nine years, the firm has grown from 30 to 520 employees with the ability to sell in 33 states. The firm continues to grow through strong vendor relationships with companies like Plaza Home Mortgage, Inc.

GOAL

Leverage a secondary market trading strategy to maximize returns and minimize repurchase risk. Peoples Mortgage is approved to sell loans to 28 secondary market investors including FNMA and GNMA. To maximize efficiencies, they use a hedge advisory firm to manage the loan bidding based on factors like price, efficiency and customer service. “Price is one indicator of whether an investor is a good match but it isn’t everything. We do a lot of background vetting to understand our partners and determine if they’re a good fit,” says Shawn Morris, managing partner, Peoples Mortgage.

CHALLENGE

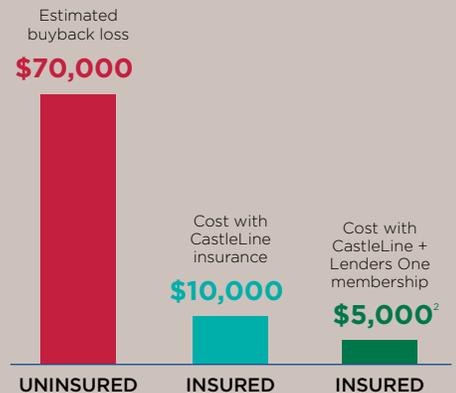
Need to control repurchase costs due to loan errors. Quality control is important. But even with strict processes in place, underwriting errors and regulatory missteps are inevitable. Innocent mistakes like a miscalculation or a missing digit on a loan application can make a firm liable for buying back a loan at a premium. These extra costs can be a devastating monthly financial hit for a mortgage company.

SOLUTION

Certified loan programs reduce risk of loan buyback. Peoples learned the benefit of the certified loan program when Plaza discovered an underwriting error on one of their loans. Typically, a lender would be required to buy back the loan for the full value.



See how Plaza's Certified Loan Program saved Peoples Mortgage \$65K¹



¹ Savings based on internal calculations from Peoples Mortgage
² Plus premium over par

“Insurance against buyback risk provides extra benefits that drive profitability, and we now factor that into our bidding process.”

Shawn Morris
Managing Partner, Peoples Mortgage

Once repurchased, they would have to sell the loan on the scratch and dent market — a time-consuming and risky proposition — since they wouldn't know what they could get for the loan. In this case, Peoples discovered the best scratch and dent bid would cost them \$70,000. Fortunately, there was a smarter solution.

Plaza had taken an innovative approach to dealing with repurchase risk. Their differentiator: the Certified Loan Program offering insurance through CastleLine. The program is offered by Plaza at no additional cost to the lender and, in this particular case, the value of insurance was readily apparent to Peoples Mortgage.

Instead of incurring a \$70,000 loss, Peoples only had to pay an insurance deductible of \$10,000. As a bonus, Peoples discovered that their Lenders One® membership entitled them to additional benefits that further reduced the deductible fee to \$5,000 (plus premium over par) — offering a total savings of \$65,000 on one loan.

RESULTS

Peoples reset their secondary market strategy. Peoples quickly realized the value of Plaza's offering and determined that investors could no longer be weighed solely on price, efficiency and ease. The monetary value associated with the insurance offering was also a major factor. "Based on our own calculations, we gain a value of more than 10 basis points (bps) per loan/per transaction with the Plaza relationship," says Morris. "When you factor in the cost of potential defects along with the savings on the deductible, the calculation was simple." Peoples is continuing to expand their volume of business and realize potential savings through this new strategic approach.

CLIENT PROFILE



Growing mortgage lender with a mission of offering competitive real estate financing with unmatched service.

SERVICES USED



Licensed mortgage lender offering CastleLine® certification program.



AN ALTISOURCE® BUSINESS UNIT

Certified Loan Program helps protect customers from losses arising from loan manufacturing defects and more.



National alliance of independent mortgage bankers, correspondent lenders and suppliers of mortgage products and services.