

With Margins So



How Can Profits Be ?

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by Mark Boersma

The mortgage industry, as with so many other industries, is seeing ever shrinking profit margins. How should a company attack this "problem." More and more companies within the mortgage industry are realizing that they can turn their operations into profit centers. How? By becoming more efficient and looking at their operations team as a manufacturing process.

As industries mature, competition increases, and added automation penetrates an industry, the margins will naturally fall. The most advanced companies are developing internal systems which are modeled after those in the manufacturing industry because they know that if a company can produce a product faster, cheaper, and with less resources that will mean more profit.

It all seems so obvious. Why aren't more companies doing it. There are very few individuals within the industry who have this type of background or experience. Those who do are looking at their operations in the following manner.

The Mortgage Is A Manufactured Product - Just Like A Car.

Many years ago Henry Ford developed an assembly line for the creation of cars. Many people said it could

not be done because there were so many parts, each car was unique in its own way, and to try to consider all the variables would be impossible. Sound familiar? Those companies that will be very profitable in the future will be ones that look at every part of the mortgage process and develop the most efficient way to move the mortgage through the assembly line in the least time, and with the fewest resources.

Look At Every Step And Try to Standardize It.

Break each step into the major components, and then determine the best way to do each one of those steps. Get the team involved, and look to your vendors for input and suggestions. The key in developing the most effective systems will be "point of entry." Make sure that the starting point of each major step is done to certain specifications and then stick to those specifications.

Automobile manufacturers don't say that they don't have time to put on the axle, but they will fix it later. Fix it now or it doesn't go anywhere. Yes, it can be put on later but it slows down or stops the entire system down the line.

Have Everyone Doing It The Same Way.

Nine years ago I was told that every processor had their own way of doing

things and that is why no two processors ever processed the same way. My response was, "Isn't there a best way?". In an assembly line, certain things happen at certain times for specific reasons. The mortgage process is not the place for everyone doing it their own way. Management, operations teams, and divisions of companies must search to find the best way to do something and then have everyone do it the same way. This creates consistency, high quality, standardization, lower costs, and a dependable final product that can be trusted.

Know Your Costs At Each Part Of The Assembly Line.

After each part of the process is broken down, one can then look at the costs of each part of the process. Many times the overall process is running efficiently. Because everything is running smoothly, individual inefficient parts of the process are being overlooked and costing the company money. It is impossible to know the specific costs of each part of the process if one does not know or is not able to break down each part of the process.

Let The People That Know Their Jobs Refine The System.

There is a danger in management setting up the process. They do not know the

parts like those who are doing it every day. Let those who are the experts develop the "best way" to do something, and then have management oversee the overall process. Use standardized goal setting, business planning, and project management systems for each part of the process. That way sales will be able to look at the processing and provide suggestions, closing can look at sales and find new ways to improve the overall system and profitability.

When creating the system, pick small parts that can be adjusted quickly, easily, and will bring the largest return. Do not try to "fix" everything overnight, or wait to have the resources to really put a nice system in place. If you do that, the system will either be crushed under its own weight or will never be implemented. When done properly, the system will not only help the company earn more money, but sales people will have higher commissions, and operations will earn higher wages and have much less stress on a daily basis. ■

Mark Boersma is the president of Synergy Solutions, Inc. Synergy develops comprehensive custom business systems and has numerous marketing sales products to assist individuals/companies in reaching their potential. Mark can be reached at (630)393-9909.