

Mortgage Broker

2006-10-31 04:18:51



Almost everyone takes out a mortgage at some point in their life. There is fierce competition between banks and other financial institutions - mortgage rates are by no means a standardised item. Shopping around for the best rate is time consuming an unnecessary when you can just get a mortgage loan broker to do it for you. Brokers hunt down the best possible rate and terms for each individual client - they usually deal with numerous financial institutions. This business is relatively easy to setup and can produce a handsome return when tackled by a savvy and dedicated business entrepreneur.

Before The Start-Up, Let's Not Get Ahead Of Ourselves

Relatively low barriers to entry mean you will be up against tough and established competition. A savvy business spirit and ability to market your services aggressively is a must. Any experience in real estate, finance and banking is also useful. In some countries and states you might require a license to start operating. Contact your local government business administration and find out if this applies to you.

The Start-Up

No matter how you operate your brokerage you'll need a complete home office setup including a work space, desk, computer, high speed internet connection, fax, scanner, copier and telephone. If you plan on consulting directly with clients a cell phone will come in handy. To establish a strong marketing presence you'll also need business cards, a letterhead, and an invoice and quote template.

A mortgage broker takes proposals from prospective borrowers and contacts the major financial institutions concerned seeking out the best possible rates and terms. All you'll need to start is a good mortgage program.

Negotiating loans with financial institutions can be tricky; they don't work with just anyone. Each institution usually has a minimum requirement for brokers; this can range from \$1 million to \$1.5 million (USD) of business per month. A minimum requirement can act as a serious hurdle for small time brokers to overcome. To get around this problem brokers enlist the services of an aggregator, this gives them access to an unlimited amount of financial institutions without the hassle and worry of minimum volumes. An aggregator holds agreements with individual lenders and uses them to pass on loans submitted by individual brokers. Aggregators take a percentage of the broker's commission percentage; they often offer numerous other services from training to software and administration. Do extensive research on the aggregators and lenders in the market before choosing who to work with.

Making It Work

A differentiator is something that sets your business apart from the competition. This isn't an easy business to create differentiators in especially sustainable differentiators. Establish a brand around excellent and personalized customer service. Besides having access to more financial institutions than the competition this will be your only available edge.

Marketing

There is serious potential for an online only business in the mortgage brokerage industry, if you would like to consider this option read The Work Pad's article on being an [Online Retailer](#). Create an attractive user friendly site with a mortgage calculator, online help function and easy to use application form. Once you are able to calculate an individual visitor value, use a pay per click campaign to drive traffic to your site. Read up on running a PPC campaign before beginning your own, the two biggest providers are Google's Adwords and Yahoo's Overture. Add to your sites findability with a library of useful articles on everything from choosing a home to getting out of debt.

Alternatively develop a small website and focus your marketing efforts on your local community using the Yellow Pages, newspaper classifieds, real estate publications, referrals and cold calling.

Don't Forget

Lots of competition is a good sign that there is a good living to be made and plenty of room for expansion in this industry. If you're going for the mostly offline brokerage option, focus on niche area customers and those within your local vicinity. Slowly build a good reputation for integrity and excellent customer service. Referrals will likely form a large part of your new customer base.