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# Mortgage Press

KEEPING THE MORTGAGE PROFESSIONAL INFORMED

## This Is My Story and I'm Sticking To It

By Eric Weinstein

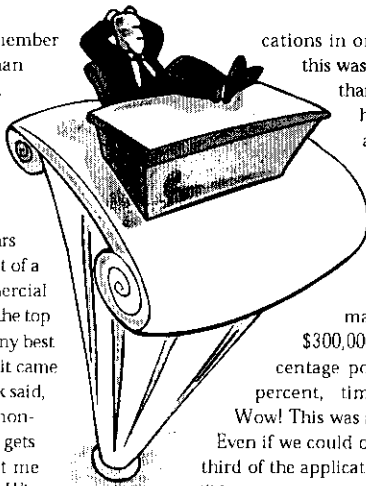
Here, sit on my knee and let me tell you an amazing story. This is the incredible tale of how a normal working guy, just like you or me, came to be the president and owner of Carteret Mortgage Corporation. According to the July 2000 issue of *Origination News*, Carteret was ranked the 18th largest Mortgage Broker in the country with \$500 million in loans. The company has 450 loan officers, is licensed in 40 states and was recently nominated by *Inc.* magazine as one of the fastest growing companies in the nation. This is not a self-serving article about how great Carteret is (well...you decide if it is); rather, this is simply an amazing tale of how, I, Eric Weinstein, a loan officer just like you, made it big...really big. The remarkable part is that the company just evolved on its own. I had absolutely no plans for it—it just happened. Here is my story...

I graduated from Florida State University in 1980 and began working in the credit department of a bank. The bank paid for my master's degree and I started up the corporate ladder, climbing to bank loan officer, commercial loan officer and finally, commercial real estate loan officer. A commercial real estate loan officer finances shopping centers, office buildings and large residential projects. My ultimate career goal was, one day, maybe when I was close to retirement, to become president of the bank (which paid an astounding \$100,000 per year.) This was my dream, but meanwhile, I was making \$35,000 as what I thought was big-shot assistant vice president. I would look down my nose at those poor slob doing residential loans. I remember I even kidded a friend I knew from college who ended up being a residential loan officer. One year, though, during a

refinance boom, I remember he made more than \$100,000 and bought a Porsche. That really stuck with me because he was a total idiot, and I had a Chevette.

Fast-forward 10 years and I was vice president of a bank, doing commercial lending. I had reached the top of my career, and had my best year ever. Then, when it came time for raises, the bank said, "Oops! The bank lost money this year so nobody gets raises." That really hit me hard. I had done great! Why was I being penalized? Meanwhile, my wife and I were heavily in debt like good American consumers. My wife had stopped working to start having kids and I was sinking fast. One day, my wife—who was a residential closer before we were married—had an idea to make ends meet. She took a part-time job at a small mortgage company as a loan officer. We figured if we papered the neighborhood with 1,000 flyers, she was bound to get at least one deal, and maybe an extra few hundred bucks per month could help. The broker paid 60 percent (not basis points, but 60 percent of everything). The only hitch was she had to completely process the file. We figured that together, somehow, we could muddle through one file per month.

So, one weekend we loaded the kids in the car and with me hanging out of the passenger side window, "papered" a local neighborhood of \$300,000 houses. We guessed we would get at least *one* deal, right? This was in 1991, and what we didn't realize was that this was the start of the first refinance boom. Would you believe it, we received 30 loan appli-



cations in one week! Now, this was far more work than my wife could handle. We were about to say forget about it, she cannot do all of this, but then I started to do the math. Let's see: \$300,000 times 1.5 percentage points, times 60 percent, times 30 loans. Wow! This was a lot of money. Even if we could only complete a third of the applications, we would still be set.

So, I took a huge risk and left the bank, even though I didn't know anything about residential lending. What was a loan application? Heck, I figured if it didn't work out I could always get another job at some other bank. So, I walked into the broker that hired my wife and simply announced, "I'm now Jill. I will be doing her job." He didn't care. He just saw 30 loans. The trouble was, I had no idea what I was doing. I asked him for help and he just sneered, "Here, read this manual," and threw some 500-page wholesaler loose-leaf binder at me. Now, I'm not very "people smart," but I am book smart and I can read. Then I read and read and read some more. I memorized the entire binder and did exactly what it said, word for word. To make a long story short, I closed every one of those loans and made more that year than the president of my old bank. It was official: I was hooked for life.

Fast-forward five years and I was a big-time loan officer working for an even bigger broker who had both processing and FHA. I was king of the hill. I had my own

processor and was doing 30 loans a month, busting my butt at 40 percent. My processor and I made a great team. One day, however, "Where's Betsy?" I asked by boss. "Is she late today?"

"No," my boss replied. "I fired her." "You fired her?" I asked incredulously. "But...but I need her," I stammered. It turns out they had a fight about the printer or something. It jammed. She called him a cheap you-know-what, he got mad, yada yada yada, and he fired her.

"Listen, I need her," I told him. But what I was really thinking was, *I need her more than I need you. I can work for anyone who has a license, but hey, a good processor is gold.* He told me honestly, "Look, this is my shop and I will run it any way I want, and if you don't like it, then there is the door." And you know what? He was absolutely right. As long as you work for someone else, they have the right to call the shots, like it or not. Right then and there, I decided I had to get my own license.

I will never forget it: Oct. 31, 1995, Halloween night, when I obtained my license. My plan was simple: to work out of my own house, process my own loans, have no employees, no hassles, make 100 percent and be with my family.

When I was manager of a bank's credit department, I learned first-hand what a pain in the butt employees were. This time it was just going to be me. And so it went. I worked out of my home the first year all by myself and loved it. I made good money and thought it was the happiest I could ever be.

At the beginning of the second year, John, a loan officer who had worked with me at the old place, asked if he could work for me. My initial inclination was to say "Nooooo! I don't want you coming to my house to work, for-

get it." But he was a friend, so what could I say?

"Okay, here are the rules," I explained. "You work out of your house. You do everything. You get the loan, you process the loan and I don't even want to hear from you unless it's to bring over the closed file and a check." John knew about as much as I did about loans, so he agreed. Now, how much should I pay him? He was my friend and I didn't want to rip him off, so I looked at how much I made during the year and I figured I ended up keeping about 70 percent while the rest went toward payroll taxes, licensing and other miscellaneous expenses.

"Okay," I offered, "I will pay you 70 percent and basically, the other 30 percent is to kick in on the overhead." After all, I didn't want to make any money off of him—he was my friend. So John said, "Sure" (and probably *sucker* under his breath because this was about double what he had been making before).

Later that year I hired my previous processor Betsy who was at a horrible mortgage company that yelled at their people and treated them like garbage. I told her I didn't need or want a processor, but I could set her up in her house as a loan officer like John.

"I know how to process, but I don't know how to be a loan officer," she protested.

"It's easy," I explained. "I will run an ad for you. Here is a rate sheet. Just quote one-half a point over this rate sheet price. No negotiations, no bargaining, this is it, take it or leave it." What other mortgage company in the world is going to do a loan for half a point?

Betsy didn't know how to "sell," but she did know how to process. When I was her loan officer, she could process 30 loans a month. The average loan was approximately \$150,000, so she made \$750 per deal and at 70 percent that was about \$525 a deal: not much, but she was doing 20 deals a month. Do the math, and that's a lot better than the \$25,000 salary she was currently getting.

Then a wholesale representative I knew who was also once a loan officer came on board, as did another friend, and by the end of the second year, I had five of my closest friends working for me. I didn't make much money off them, but hey, they were my friends and I was a loan officer doing my own loans, making a good living and most importantly, I was happy.

In the third year, John told me he had a friend who wanted to come on board. "I'm not sure," I said. "So far, everyone who works here is a good friend of mine that I would trust with my license, but I don't know this guy." John said he would vouch for the new guy and take care of him, so I relented and hired him at the same 70 percent as everyone else. Soon after, John started complaining that the guy was calling

him a lot, asking questions, etc. "Okay," I acquiesced, "I am making some extra money on you guys. I will give you five percent of whatever he makes, and that is your pay for 'managing' him. Just make sure he calls you, not me. All I want to see is a closed file and a check."

And that opened the floodgates.

Soon my five friends were hiring their friends and making the extra "five percent recruitment bonus" and by the end of the fifth year, we had 50 loan officers, all working out of their homes. Now, what do you know, my little company was bigger than the broker I used to work for and actually one of the larger mortgage companies in the county. I didn't really have as much time to do my own loans, but I made money from their loans, which balanced the checkbook. Some of the new loan officers were in other states for which I had to obtain a license. Some wanted FHA loans, so I put money into that. Now we could afford a group health plan and a 401K package. And so it grew. All the while, I was still working from home.

In the fourth year, we grew to 250 loan officers and now, at the end of our fifth year, we have 450 loan officers, of which 99 percent work from home. The number of states grew, the amount of loans swelled and before I knew it, I was running this major mortgage corporation that I never actually planned or wanted. The best part is that I still work out of my home, and have no plans on leaving it. All of my administration people work from their homes, too. I want to be with my family, and by helping other people do the same, I accidentally fulfilled a market niche for both loan officers and the public.

Here is the thing: Many loan officers *want* to work from home so that they can be there when the kids leave for school in the morning and when they come home. Loan officers can work in the day when their small kids are home and even though they are working, they are still *there*. At night, we have what I call "bunny slipper processing," but it's okay because you are home. We even had a nudist who did "nude processing." Try that at your office and you'd be arrested. As long as my loan officers are happy, that's all that matters.

Of course the trick is that we don't realize when we're working more hours because we are at home. But regardless, there is no commute and no dressy clothes. If we have no appointments, we can be comfortable in sweats. Real estate agents whom I talk to have no idea I am still in my pajamas. Heck, they are probably still in theirs, too, since many of them now work at home as well. Customers love us because we are available and can always be reached. We have the file right there, even when they call at 10:00 p.m. to ask, again, what the rate is (even though you already told them at 4:00 p.m. and it doesn't change at

night.) We can go over their appraisal, credit report, etc. with none of the "Oops, I thought my processor did that" or "I don't know if the appraisal report is in yet" nonsense. We are the loan officers, processors and everything else. Underwriters also love us. We know everything about the file because we set it up, we spoke with the customer, we processed it and we know it cold.

Since we have no overhead, we can afford to pay the loan officers high at 70 percent. This means two things: One, we do not have to price our loans as high, so the customers are happy; and two, the loan officers have a much lower economic breakeven. In other words, when business is scarce, they don't have to do as many loans to make a living. A loan officer here can still make ends meet with just two loans per month. At other companies, the poor loan officer would have to quit and go back to selling used cars. Our people never quit, which makes them happy and makes me even happier.

My wife has a theory about the recent string of school shootings. The common thread is that all the kids come from families where both parents work outside the home. I am a big believer in spending quality time with your kids. It really makes a difference—and I mean to the world. I will give you an example. We hired a loan officer who was a single mom. She used to be an underwriter but had to put in long hours. She wanted a job where she could spend more time with her son, who had an unfortunate facial tick. Later, she told me that after she had been working out of the house with Carteret Mortgage for three months, her son's facial tick went away. This really warmed my heart. We *are* making a difference. They say you can't change the world, but I say you can at least start with your little corner of it.

Of course, you've probably figured out that by now, the company is so large, it doesn't cost me 30 percent to run it anymore. This is true, so I have created some incentives to help our loan officers. One of the missions of Carteret Mortgage is to have everyone in the company family make at least \$100,000 per year, which was my goal way back when I wanted to be president of the bank. That's when, I think, you can step back and say you've really made it. And to tell you the truth, at 70 percent, \$100,000 is really not that difficult to achieve—say about four to five loans a month. So we made up a rule: When a loan officer shows me they made \$100,000 on their W-2, I increase them to 75 percent for the next year; and at 75 percent, it's a lot easier to maintain that income level. The same goes for people who have given up their mortgage license to join our company (which is always a very emotional decision). Now remember, these are W-2 wages and I am paying the employer

side of payroll taxes, E & O insurance, workman's compensation, etc., so this really translates into an 85 percent split. Who else would do that? Who else could afford to? Well, I would for two reasons: One, I don't have to make millions per year. I am just one guy living in a nice house in a nice neighborhood with my family. I am very happy where I am, with what I'm doing. Believe me, I am making more money than I ever dreamed about. But at some point, you have to realize that it's not about money; it's about doing something good for your family, your friends and your community. I consider everyone at Carteret my family. I want to see them get ahead, prosper and be happy—just like I want for my children.

Secondly, I am not stupid. This is simply a more efficient way of originating mortgages. Let's face it: With LP, DO/DU and even sub-prime automated underwriting, this is where the future is going. Who needs an office? Eventually, everyone will figure it out and I will have to pay my people more to stay with me. Now, I don't mean some of those phony-baloney net branching companies that keep cropping up. You know the type, where they say they pay you 100 percent commission (Right! Like that even makes sense. They are working for free, just because they like your face.) Compare the rates they give you to other wholesalers and you will see they sometimes have two points built into the package already. Sure you can have 100 percent of everything you make...after the first two points. Or better yet, the first 3/8 percent comes to us and *then* you get 100 percent. Oops, but only after we deduct E & O insurance, administration fees, and we back out what we had to match in your payroll taxes (which I believe is illegal, according to the IRS.) Sure, if you make 10 points per loan, that might be a good deal, but with this market, new predatory lending laws and simple common decency for goodness sake, I wouldn't bet my living on always making those kind of points. In fact, even though many people call us a net branch, that is really not how we are set up. Carteret is a single company that allows our people to telecommute to work. We are more about people working at home rather than trying to attract a small mortgage company to hook up with us just so we can do some FHA loan in Nebraska.

And believe it or not, Ripley, the real competition eventually won't come from a Chase Manhattan or a Countrywide. The trouble with those large companies is that they are too top-heavy. How would they ever pay for the corporate jet and the 10 levels of vice presidents with only a 15 percent margin? No, the competition will be from entrepreneurs like yourself who, so far at least, have been enthralled with this article. Well, read on.

So why am I telling you this? Maybe I was mistaken and I am stupid. Am I giving away the million-dollar secret? Why don't you just go out and do exactly as I have done and then you can compete with me. Or maybe I shouldn't have said that since now you might consider it a dare.

You won't, however, because I am convinced that you will realize it's easier and more profitable to join me than trying to beat each other up. I am not being arrogant; let me show you with numbers: It all has to do with that college course we slept through in economics class called "Economy of Scale." All Mortgage Brokers have certain fixed costs, such as licensing, bonding, audited financials to be FHA-approved, administrative or bookkeeping functions, payroll, state audits, etc. Even if you are a small one-person shop, you have to figure that part of your time is going to be spent on this stuff and maybe you could have completed one more loan if you didn't need to do the extra paperwork (much less, you just don't like doing it.) Or maybe if you were FHA licensed, you could have made one more deal, or if you were approved nationwide, you wouldn't have to throw away some of those Internet deals (which, of course, you are not 'co-brokering' for 50 percent because that is illegal in most states.) Now what if I told you that you could join an organization, still run your own shop and maybe give away 15 percent, but still have access to all of those benefits? Just one extra loan per month would pay for that, not to mention the additional perks of brand recognition, benefits from being with a larger shop with buying power, and access to any wholesaler you need because you are not just sending them one loan per year anymore—the company is sending them \$5 million per month and you are part of the company. This concept works with any size mortgage company because there will always be a *real* savings when you are not duplicating a fixed-cost overhead service which can be done more efficiently and cheaply by merging together, rather than competing. For example, the cost of a license is generally going to be the same whether you do 100 loans a year or 100,000.

Don't get me wrong: I am not advocating every loan in the United States be done by Carteret Mortgage—although that *would* be nice. I have every intention of stopping the company's growth as soon as the Anti-Trust Division of the Department of Justice knocks on my front door (which I will answer in my pajamas.) But this is a huge industry we are talking about—more than a trillion dollars and banks have a large share of it. Why shouldn't brokers have more? And who would benefit the most? The consumer and the loan officer, that's who, which is the whole point, isn't it? I am one guy working out of his

house. I don't need to make a lot of money. I can see a day when that 75 percent increases. If we are doing \$100 billion dollars per year in loans, I would be very happy with one percent of the fee income. Can you imagine earning 89 percent on all your loans, remembering 10 percent is for payroll taxes and other related expenses. A big bank couldn't do this. They have shareholders to pay...I don't.

But first, there must be some ground rules: Absolutely no fraud. The way we run our recruiting is that you can only join if another loan officer will vouch for you and says he or she knows you to be honest, honorable and fraud-free. That is one thing we cannot tolerate, and we are very strict on this. To enforce it, we have a little rule I like to call "You and the horse you rode in on." If a loan officer vouches for a new employee, that's all I need to know. I take them on their word. On the other hand, if we catch the new guy doing fraud, not only is he fired, but the person who brought him in is fired too. This way, we are our brother's keeper. It also gives loan officers an incentive to keep a clean house because it's simply not worth losing your job at 70 percent for the five percent bonus you would get on the individual you brought in. Believe me, neither processors or the boss will ever catch someone doing fraud. It's always the other loan officers who know because people will brag after a few drinks that they did this or got away with that. It's human nature.

The second rule is that you must be honorable. When I first started Carteret, it was just myself, in my house, processing my own loans and submitting them. I had to make a decision early whether I was going to take the high road or not—which means I would not lie, cheat or steal for the short-term gain. Maybe I would lose a deal or two here or there, but I could sleep at night knowing the company and my livelihood were not at risk. Because of this, we have a very good reputation with our wholesalers, the industry and our customers. This developed into what I call a "Code of Honor"—the ways I lead my entire life. Here are a few examples:

- If someone calls and says they refinanced with us a year ago, I will ask who the previous loan officer was so I can refer the customer back to them.
- If I make a promise, I keep it, even if the people I am dealing with are dishonorable themselves.
- Be tolerant and patient with "challenging" customers.
- Return phone calls. Don't dodge pager calls. Never duck a problem; face it head on. Even if someone calls you and you know they are just going to give you grief, take the call.
- Apologize freely to people, even if it's not your fault.
- Soothe the people by offering to pay

something. It will turn a bad situation into something good.

- When life gives you lemons, make lemonade.
- When processing for other people, be especially patient with them. Prioritize their work before your own work. It's the right thing to do.
- When someone is processing for you, be patient. Expect them to do their own work before yours. If you are not happy with the situation, **learn to process yourself.**
- Don't lie, since even a small lie will get back to you. You will lose credibility. In the long run, you will lose more than you gain.
- Admit when you've made a mistake.
- Never talk badly about anyone; it will get back to you. Say only good things about the people whom you know.
- Open communications. Tell people, in a very tactful way, when there is a problem. Don't criticize; tell them how things would be better if....
- Always have good news to tell the borrower, even when you have bad news too. Never call with only bad news, i.e. "Your loan was approved...but as a 30-year, not a 15-year."
- Begin all conversations by praising the person, no matter how small the point is. This includes co-workers. Put on your salesperson charm, even with those you work with.
- **Absolutely no false advertising.** If you said it, or it is in the paper, deliver it. If you promise it, keep your promise, even if it costs you money. If you say you will do something for someone, do it right away. If they want a copy of the appraisal, do it now. Immediately. Then move on to the next thing. Remember, we are Klingon warriors, not Ferengi merchants (for you Trekkies).
- Find out information for yourself. I know it may be easier to pick up the phone and ask a co-worker, but finding out for yourself is always better and the only way to learn. In addition, your co-worker may be busy and doesn't need your interruption.
- When a co-worker asks you a question, tell them the answer without hesitation.
- Strive to be independent and process for yourself. Know how to find out the answers by yourself. Never rely on anyone; you will be happier that way.
- Forgive people's transgressions against you, as you would have them forgive yours.
- Remember, it's not about the money (though there will be tons for everyone); it's about enjoying what you do—enjoying the people you work with. It's never about material possessions; it's about spiritual happiness. (See your Bible for further details.)
- **Fix the problem, not the blame.** Say "I don't care how it got this way, now

- **Compromise.** Give up a little. Just get the deal done and move on. Don't dwell on losses.
- Admit when you are over-worked. If you have too much business or if you just cannot make the deal, refer it to a co-worker. Pass it on and take a 10 percent referral fee for passing out a name. Be happy with just that.
- When you begin to make a lot of money, you have a moral obligation to give something back to the society that gave it to you, even if it's just kindness to your fellow man. Give to charity and thank the Lord for what you have.
- Acknowledge that you are happy. The only way to realize you are happy is when you sit down and tell yourself, "I am happy!" Realizing you are happy is the key to happiness.
- Live by the philosophy that it is your fault. Even if it's not your fault, it's still your fault. As a loan officer, it's always your fault. You are the captain of the ship, so if something goes wrong, you are ultimately responsible. The important part is to fix the problem.
- **Never yell at anyone.** Yelling at the closing department that you already faxed the fee sheet will not get your deal to closing. Just fax it again without arguing. Don't yell at an underwriter; convince him or her with the facts in a non-emotional way. If you can't convince the underwriter, talk to the boss. If the boss is not convinced, pull the loan, but never argue or debate. If you yell at the underwriter, you might get this one loan approved, but be sure he or she will find a reason to decline the next 10. Don't yell at an account representative either. Sure, they service us, but they also help us tremendously. Remember, a wholesale relationship is worth more than even the top-producing loan officer. I will always take an account representative's side.
- Try to concentrate your appraisal and title work business with one company. You will be more important to them and they will be more likely to do you favors like rushing a loan. Don't abuse them. It takes time to build a relationship. Treat them like a co-worker. Forgive their errors, as you would hope people would forgive yours.
- Enjoy life. Be happy. Make lots of money. Be kind.  
So what do you say? Are you in?

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