For many mid-tier mortgage companies, the key to growth is a vibrant, profitable network of branch offices. There is fierce competition for good branch managers and their origination teams. Companies that are good at attracting top talent often outperform the also-rans.

Keeping even the best branches performing at peak profitably under a new corporate banner requires careful planning, motivation and monitoring, however. Fortunately, modern mortgage-banking accounting software, combined with modern analytics and forecasting software, can help reduce this burden and keep your top performers and the rest of your team in shape.

There are three primary reasons that mortgage company executives decide to tap into analytical software in their finance departments. First, they are working to scale their branch networks. Second, they are working through each branch’s expenses — loan related and otherwise — to better understand the impact these are having on the bottom line. Finally, they use analytics to project future results, both for existing branches and acquisition targets.

Ultimately, the right financial toolset will allow a chief financial officer to analyze a number of key metrics to track the performance of individual loan officers, branches, regions and the entire company. Chief financial officers (CFOs) are using these tools in three specific areas: analyzing branch performance, creating planning projections across a branch network and performing pro forma analysis prior to adding a new branch to the network.

**Branch performance**

Once the decision has been made to focus resources on building a company’s retail channel through a branch network, it becomes critically important to understand how well each branch in the network is performing.

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Unfortunately, unless the company can break out every expense associated with each branch — both loan production and general branch expenses — it can be difficult to know why a branch isn’t performing as well as its peers in the network.

What is fairly straightforward, and what every CFO will attempt to do, is to establish a break-even point for each branch and then monitor that branch with accounting software to know exactly when that point is reached during the course of the month. Nothing is more important than knowing whether your branches are actually contributing to your bottom line. The CFO should be able to look at the dashboard and compare each branch’s actual break-even volume side by side.

Branches will differ. Location, communities served and personnel on staff all impact a branch’s profitability. What the CFO needs to know is every branch’s volume target and earning level. Modern dashboards put this information within easy reach. This gives financial management the power to know how each branch is performing, at a high level, at a glance.

If a CFO sees a branch has only broken even five times in the past 15 months, for example — and the highest return was only 12 basis points — the CFO knows where to spend resources to bring the entire network up to a higher level of production. A branch like the one in this example isn’t contributing anything to the company and remediation is required if the company plans to maintain it.

When a branch is not performing well, an analytical package can be employed to take accounting information from the company’s general ledger and compare performance across all branches. This will tell management why that one branch is not performing. A good accounting package will allow the CFO to break down every expense associated with the branch and compare its performance against others in the network. This analysis must consider all branch expenses and not just those associated with loan production.

If the branch manager is given access to the software, decision making can be decentralized because individual managers will have the tools required to create more profitable operations. Even if the tools are centralized at the corporate level, the CFO and the corporate accounting staff, good communication with branch managers will make it possible to fix problems.

**Corporate planning**

Fixing the problems a branch has experienced in the past is important, but so is planning for future performance. Financial analytics are useful here as well because plans and projections can be established and then compared to actual performance. Past performance can be used to establish initial projections, but branch management should have the power to set goals that stretch the organization.

If each branch is required to submit a branch projection to the company’s overall financial plan, the analytical software used by financial management can monitor branch performance and compare it against those projections. The corporate office can then communicate the need for adjustments back to the branch manager to help keep the branch on track. This type of real-time connection between branches and home offices is a best practice.

This is important because branch managers too often work in a vacuum, without access to expense information from other branches that could impact their local operation. Giving branch managers a window into the corporate plan provides them benchmarking information they can use to better manage their own branch in terms of revenue, net income, direct loan cost and more.

At the same time, this data gives the CFO’s office — or even regional management — the power to drill down into the plan to view specific expense estimates, which will help them ensure that each branch is making sound financial decisions.

**Building networks**

All modern financial managers should learn to depend on software analytics tools, which have only been available in the last few years, to analyze branch performance and the impact that individual branches can have on overall profitability. Before now, detailed financial analytics was only available to companies large enough to operate extensive branch networks. Often, these companies were broken down into regions and did not do a good job of passing detailed performance data up to the corporate level for analysis.

Today, mortgage companies have access to powerful analytical software. What’s more, benchmarking data is now available that will allow any company to gauge its own performance against its peers. These tools have made it easier to make decisions about new branch acquisition, which is another reason that financial managers should begin embracing these tools.

Companies intent on building out their branch networks through acquisitions have traditionally relied on projections built in Excel spreadsheets to analyze every potential acquisition and make decisions about whether to pursue them or not. This approach presents a couple challenges.

First, the data entered into Excel will be at a different level than how your actual sales and expense data gets reported. When you want to evaluate your performance to see if you made a good decision, it’s hard to get the actuals into the Excel projections in a way that makes it easy to see return on investment and payback period — to see how well you did. Second, it’s hard to roll that projection up into your corporate plan. The projections are in a different workbook and at a different level than your corporate plan.

New branch forecasts should be structured in exactly the same way as existing branches. This allows managers to plug in the new branch as if it was an existing branch, make assumptions and create one or more

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new scenarios to determine how the acquisition might perform as part of the network.

A best practice is to take the projections presented by a prospective new branch manager as one scenario, but also create a scenario based on the assumptions and expenses of existing comparable branches. In this latter scenario, it also is common to give the branch manager’s forecasted volume estimate a 30 percent to 50 percent haircut and then see how the new acquisition performs in the projection.

Modern analytical software, when paired with the right mortgage-accounting software, makes this type of analysis painless. It can show quickly whether a new branch acquisition will dilute or augment earnings. It also makes management of existing branches easier and delivers information required for decisionmaking faster. If your current accounting software doesn’t allow you to leverage analytics in this way, find software that does.