Risk Executive Mentoring Program

Today's secondary manager in charge of the mortgage pipeline has the same demands placed upon them as just about any other in the lending business. These demands include increasing efficiency, gaining competitive advantages and maximizing profits, all while conserving resources.

Becoming more efficient is a catch-all phrase that can take on many meanings, but a common one is 'work smarter, not harder'. One method of working smarter for secondary managers is to increase their understanding and skill level as it applies to managing their pipelines. When resources are maximized, the option of 'farming out' a needed skill is not an easy option. However an emerging option is for them to seek out business mentoring and education programs that can help them achieve all three of their aforementioned goals.

For example, managers typically understand that in order to achieve these goals, they must engage in pipeline hedging practices. But often they lack the exact understanding of what these practices entail, their level of complexity and the resource commitment required to succeed. The manager that recognizes his or her deficiency in skills or experience can engage outside resources that can provide help to take full advantage of pipeline hedging practices. However, finding a comprehensive education program on specific areas such as hedging and related secondary practices takes research in and of itself. Finding the right program is extremely important.

A few tips are offered as to what to look for in a mentoring program. This general outline will help managers in their search in order to maximize the results and impact on their operation.

First, the providers of these programs must have the right mix of expertise and experience in the industry. They must have a firm grasp of proven processes as well as knowledge of the essential tools to help educate and as well as execute best secondary marketing risk practices.

The program should offer a stair-step approach that builds up the skill level that best suits the individual as well as the organization. For example, the program should provide course tracks for managers to become more proficient as traders, as well as tracks that help establish a more comprehensive enterprise approach to pricing, hedging and market execution.

Offerings should include tailored courses to high-level executives such as the CEO, CFO or President who want to understand more about how their organization is managing its secondary marketing risk. These course tracks are also help offer a measure of protection for secondary operations when managers exit or retire.

These programs should be tailored to the varying levels of experience each individual within an organization possesses, including beginner, intermediate and advanced.

For example, beginner-level mentoring might include the important differences between hedging and fulfilling forward commitments, as well as key drivers of a mark to market and also how to compute a hedge ratio and set a hedge position.

For intermediate-level mentoring, something in the realm of determining the cost of existing closing ratio factors, calculating the most cost effective pull-through curve and tips on how to better interpret market position exposure report. This level would also include actual trading simulations as well.

Advanced-level mentoring and training should have students crafting risk and pricing policies that work hand in hand to minimize negative fluctuations in earnings and maximize the profit realized from pricing, hedging and best execution activities. Their training should include enterprise-wide simulations that result in a best-practices blueprint for their entire organization.

The takeaways from these types of educational programs are many. For the individuals at the beginning levels of the business and for other important stakeholders, these programs increase practical abilities and theoretical understanding of the mortgage pipeline risk management discipline and how it integrates into the overarching mortgage banking profit management process.

When these programs have been completed, the secondary manager should then be empowered to effectively conduct mortgage pipeline risk management activities and to clearly plan, communicate, execute and coordinate risk management activities in concert with pricing, best execution selection and mortgage pool delivery activities.

They should reach a level of acumen needed to craft a solid, comprehensive risk management policy that benefits from insight into how models, reporting and market analysis impact risk exposure. The policy will embrace management's ability to utilize models and feedback to optimize performance while limiting risk. They should also become adept at coordinating outcomes with best execution, pooling and pricing activities, to the degree that the combined operating performance of the organization will reflect favorably when compared to its peers.

These types of education programs work best when comprehensive tools are employed to help secondary manager and their organizations. The best type of software tool would be one that is comprehensive and provide the user with a high-level of clarity and transparency as opposed to a 'black-box' system where the ability for user to see how results were derived doesn't exist. The software should provide multiple hedging approaches allowing managers to view exposure in different contexts as well as the flexibility to view market exposure from a vantage point that fits their risk policy guidelines.

The software should offer an all-encompassing view to the risk manager where all of their key position components are explained including loans, products, trades, pipeline hedges, fallout, net gain/loss, impact if rates rise, impact if rates fall. Additionally, the software should offer hedge decision components that include interactive "What If" tools that allow managers to see the impact on their pipelines when differing approach are employed before executing a plan.

And finally, the software should have the necessary reporting tools that allow managers to convey their derived strategies to other stakeholders within their operation.

Secondary managers can achieve their goals to maximize the efficiencies of their operations, even with limited resources, by use of comprehensive mentoring programs and software tools. By employing these, they can craft an effective hedging policy and better manage their operation. The results are likely to produce better returns and a more advantageous position in the marketplace.

For more information about PowerSeller's Risk Executive Mentoring Program, please call 844-769-7355 or email success@powerseller.com.