

ALTERNATIVE LENDING GUIDE

The key to alternative lending success

Ready to get started in the alternative space? According to **Bridgewater Bank**, finding the right lending partner is the first step



THE NEW mortgage regulations have redefined affordability. Borrowers who previously sought mortgage solutions at brick-and-mortar lenders will now be looking to mortgage brokers for advice and creative solutions. This doesn't mean broker market share and opportunity is going away – it's simply shifting.

"Brokers can't change the direction of the wind, but they can adjust their sails," says Todd Poberznick, assistant vice-president of business-to-business solutions at Bridgewater Bank. "Alternative lending is a broker specialty. It's harder and more time-consuming, but a very important part of a broker's business."

Early adopters jumped into the alternative lending space and took on the more challenging deals. Today, passing up alternative deals means passing up significant annual income, lasting client relationships and the reward for a job well done.

The new normal

Genworth has said that approximately 50% to 55% of the mortgages that would have qualified under its low-ratio portfolio insurance will no longer be eligible after the most recent mortgage changes. For the past number of years, alternative lenders – through mortgage brokers – have been filling the void and helping business-for-self and other clients displaced by change after change in the mortgage market. Low-ratio equity-take-out refinances are expected to join the list, which means even more clients will be seeking the advice of a mortgage broker.

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“If I were to give brokers advice, it would be to keep talking to your existing book of clients,” Poberznick says. “Previously straightforward borrowers are going to need advice

their business with an alternative lender, Bridgewater Bank surveyed more than 3,600 brokers across Canada in June of this year.

It came as no surprise that brokers need

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Todd Poberznick, Bridgewater Bank

and creative solutions. Having an experienced alternative BDM and underwriter available on speed dial could become the strongest value proposition and a strong component of your competitive advantage.”

Finding an alternative lender

The decision to grow alternative business is just the first step. Finding the right alternative lending partner is the next, and probably the most important. To fully understand what mortgage brokers need to grow

a lender who will give them a quick decision – no different from prime lending. A lender who respects how important timeliness is to a broker’s business can make the difference in keeping a client.

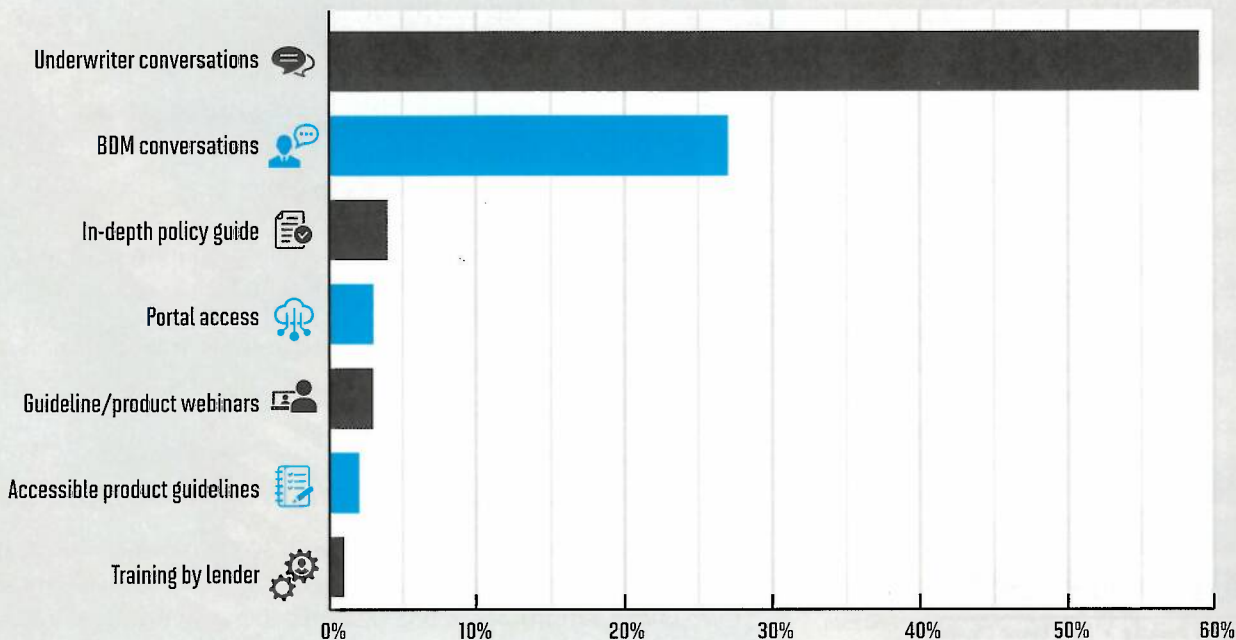
On top of this, 59% of respondents said that a conversation with their underwriter was the most effective way to predict whether a deal was likely to be declined or approved. This reveals that brokers need an alternative lending partner who provides easy access to a prime decision-maker.

Brokers were then asked what decision-makers can do to help them succeed. An astounding 95% said it was using simple common sense, followed by alternative underwriting experience, customer service approach and deal packaging. Alternative deals can be challenging, necessitating a lender’s expertise to help manage client expectations, find suitable solutions and package deals so they fit. As a result, it is imperative for an alternative lender to create an environment where alternative lending specialists can thrive.

“Deal packaging is a challenge, there is no doubt,” Poberznick says. “But when done efficiently with expert guidance, it speeds things up, which is great for business. There’s nothing better than helping out the homebuyer, seller and Realtor ... and impressing the lawyers.”

Change can seem daunting at first, but there is always opportunity to be found. Brokers who have embraced alternative lending as a part of their business know this. Those who have found an alternative lending partner who understands their needs and challenges have a partner who will enhance their business, providing a distinct competitive advantage. **CMP**

WHAT'S THE BEST WAY TO PREDICT WHETHER A DEAL WILL BE APPROVED?



Source: Bridgewater Bank survey, June 2016