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Making It Happen

Reappraising Third-Party Originators

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An Article Written By Kate Berry

It is clear that mortgage brokers and correspondent originators are falling out of fashion.

Terry Wakefield, the chief executive of Wakefield Co. LLC, a Milwaukee consulting firm, predicted that mortgage brokers' role will diminish to a point at which they will only be a way for lenders to procure borrowers.

Brokers today handle many tasks that are duplicated by the lender, he said, and they have a potential conflict of interest because they are paid according to the quantity, not the quality, of loans they produce.

"The investor community has lost all confidence in the wholesale model," Mr. Wakefield said.

Though third-party originators are "a very resilient bunch who will not disappear," the broker model "is broken, it's corrupt - and putting a license on the wall won't change it."

There is "no vendor solution to solve the problem" other than having wholesalers invest in technology and automate a higher percentage of tasks, Mr. Wakefield said.