



MANAGING BROKER RELATIONSHIPS

This is the first of two articles designed to assist you in avoiding broker abuses and to guide you in evaluating and dealing with brokers.

As you know, many financial institutions have experienced serious issues in working with brokers over the past few years. With public attention riveted on mortgage brokers, regulators are structuring a licensing requirement for residential mortgage brokers in an attempt to quell future abuses.

Yet there are no regulations under way for commercial mortgage brokers. This puts broker evaluation squarely in the lender's camp. To avoid any issues, performing due diligence before entering into any broker relationship is a critical necessity. Here are some of elements of due diligence:

Define Terms and Responsibilities

- Financial Institution determines all terms of the relationship
- Financial institution has direct access to borrower
- Financial institution uses the broker only to facilitate contact with borrowers
- Broker does not represent the financial institution
- Broker only refers borrowers; does not do any financial institution work

Vet, Verify, Investigate

- Proper state licensing; examine any licensing expiration issues
- Business license
- Length of time in business
- Local (to broker) business only
- Business credit report
- References
- Extensive background checks

Wading through broker due diligence can be daunting and time consuming. Let us put our expertise to work for you! Our JRB Team encounters a wide variety of broker situations in financial institutions of all sizes every day. We're equipped to help you establish policies, broker agreements and procedures -- so you can get down to business. Watch for more information on broker relationships next month. Call us at 626.963.1267 or visit www.jrbrunoassoc.com.

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