

# Help Clients Achieve Long-Term Goals

Lending appropriately means looking out for borrowers' well-being

By **Dale Vermillion**, founder and CEO, Vermillion Consulting Inc.

**E**VERYTHING WE DO SHOULD BE centered on ethical practices and customer-centric philosophies. Our work should be based on honesty and high moral standards, aimed at helping borrowers achieve financial freedom and improve their financial situations.

Lending to the right borrowers for the right reasons and with the right products is central to our success in achieving this. We should never make loans to borrowers who can't afford them or whose financial well-being will decline significantly because of the loans.

## Payment reduction

Many brokers put too much emphasis on payment reduction. Payment reduction can benefit borrowers greatly, but it also can work against them in the long term.

Brokers should help borrowers think through all the possibilities and their potential ramifications.

In the current market, with low interest rates available for well-qualified borrowers, why would we consider offering an ARM unless we could guarantee that the borrowers would be out of the property before the reset date and would never have to face the potential of a larger payment? It makes more sense to get borrowers into a fixed-rate loan.

Another inappropriate loan would reduce the borrowers' payments by hundreds of dollars but extend their loan term by several years. This could cost the borrowers tens of thousands of dollars in additional interest and move them further into debt and away from retirement.

## Credit repair

Credit repair also can be a great thing if it offers a long-term solution. Our goal should be to give

the best advice possible — whether it means a loan today or not.

If selling, counseling or debt negotiation are better avenues, brokers who help potential borrowers find those solutions will most likely get their repeat business in the future.

## Cash out

Giving away cash for any old purpose, especially to people with a history of bad credit and high debt, is simply irresponsible. This is particularly true if it pushes the loan-to-value ratio to a position where borrowers have no equity.


Put simply, there are right and wrong reasons for using equity to access cash.

If borrowers are qualified, manage their debt well, and have great credit and stability, they should be allowed to use their equity to access cash for whatever purpose they choose. If, on the other hand, borrowers don't fit into this category, they should use any cash out to invest conservatively, to increase their assets or to provide for future emergencies.

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Any time that mortgage professionals make loans to provide short-term solutions without considering long-term ramifications, it's a mistake.

Instead, brokers should provide borrowers with products and programs that create short- and long-term benefits. By lending appropriately, brokers not only achieve excellence of their own, but they also help their clients realize excellence.

Ed. note: This article is the sixth in the author's series of pieces whose topics correspond to each letter in the word "excellence." To view past articles in the series, visit [www.scotsman-guide.com/2944](http://www.scotsman-guide.com/2944). 



**Dale Vermillion** is a prominent industry speaker and founder and CEO of Vermillion Consulting Inc., a consulting and training firm that helps brokers, loan officers and sales management improve their sales performance and productivity. He is also founder of Mortgage Professionals Providing Hope (MPPH), a nonprofit organization created to aid children and families in impoverished rural India. To learn more about Vermillion Consulting or MPPH visit [www.dalevermillion.com](http://www.dalevermillion.com) or [www.mpph.org](http://www.mpph.org), or call (888) VCI-EDGE (824-3343).

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