

Executive Positions His Mortgage Firm For Growth In The Land Of The Lakes

Electronic pricing software and an innovative compensation arrangement with its loan officers help the company thrive.

By MICHAEL GRIFFIN

"The third time's the charm." "You can go home again." Among the expressions that have become clichéd over the years, these two statements actually do apply to mortgage banking professional Mark Teteris, who returned home to the Minneapolis area to forge a very successful career leading Lakeland Mortgage to record gains since taking over in the late 1990s.



TETERIS

Incorporating an innovative profit arrangement with loan officers, along with technological advancements through the company's new electronic pricing system, Teteris has Lakeland well positioned for further growth, and seems to have found his niche in this field after productive stints in the retail-oriented and executive search sectors.

"Mortgage banking is my third career," explains Teteris, now chairman and chief executive officer of the company he joined as a loan officer in 1995. His first career was with a national consumer electronics retailer, where he worked his way up to being a district franchise operations manager, assisting small business owners with everything from sales training to preparing financial statements and negotiating store leases.

"In the mid-eighties, I moved to New

York City, where my wife worked in the fashion industry, and I entered the executive search business. The firm I was with had a niche with international hoteliers and resorts. I met people from all around the world and from many different cultures."

It, too, was an enriching and rewarding experience for Teteris. "But after our daughter was born, the complexities of life in Manhattan began to weigh on us and the thought of bringing our daughter up in Minnesota was very appealing," relates Teteris, who contacted a Realtor friend in the early '90s to discuss housing in the Twin Cities.

Planning to relocate and continue as a "headhunter," Teteris was told by that friend that "it was too bad you don't know the mortgage business, because it's really hot right now. My immediate response was 'what's to know? I've already had five or six of them.'"

Two weeks later, Teteris says he "was learning what I didn't know working for a local mortgage banking firm. I closed \$2 million in my first full month on the job - this was during the refi boom of '93 - and haven't looked back."

That start with Heigl Mortgage led to a stint at a broker offshoot of the company, then to the position with Lakeland. Teteris soon rose to senior loan officer status and was selected to manage a branch office in 1996.

By 1999, Teteris had worked out an arrangement to buy and take over the company, with the hopes of repositioning

Lakeland's image and improving market percentages. "The company soon embarked upon a strategic enhancement of our image and capabilities, designed to position us as mortgage finance consultants who serve our clients as trusted advisors," he notes. "Investments in our facilities, highly skilled personnel and advanced technology have supported the initiative."

He believes two key results of these investments have been the ability to recruit and retain high-quality loan originators from outside the company, while simultaneously facilitating productivity gains for veteran mortgage consultants, thus contributing to significant top line growth.

Expansion plans

A year ago, Teteris even committed to "opening a branch east of the Mississippi River, supercharging our pricing calculator and providing more training opportunities for our mortgage consultants and staff." As real estate and staff possibilities played out, "east of the Mississippi" became "south of the Minnesota," culminating in the opening of a new branch office in Burnsville, Minn.

Even with that minor adjustment, Teteris' plans and vision have translated into major growth for Lakeland, which has seen annual loan volume increase 119% and 36% on a year-over-year basis for 2001 and 2002, respectively. "Additionally, our first quarter of 2003 is coming in at a 232% gain over the first quarter of 2002. And our average loan size increased 7% last year.

"Certainly, the low interest-rate environment has helped our numbers," admits Teteris. "Nevertheless, our rate of growth has far outstripped overall industry growth when compared to the statistics compiled by the MBA."

He believes the three main factors contributing to this growth are:

- Establishing a clear vision and plan to leverage the core values of the organization.

- Recruiting and retaining the people who are driven to succeed, and who have the talent to achieve and grow beyond the current objective.

- Continuous investment in the technology and processes that facilitate mortgage consultants' ability to deliver on service promises to customers in the most efficient, yet personalized, manner possible.

Electronic controls

Lakeland's commitment to that third factor recently resulted in the unveiling of its trademarked Electronic Pricing Information and Control system (EPIC) in December 2002, an enhancement already yielding positive results, according to Teteris.

"Essentially, we have taken a Web-based product validation and live-pricing system, and used customization to brand and integrate the product into our primary database," he explains. "Our mortgage consultants use EPIC to screen loan scenarios for product eligibility across our entire spectrum of correspondent investors, and then have the ability to obtain the best price execution from among the qualified products."

All adjustments to the price for lock period, servicing released premium, LTV and combined LTV, FICO score, occupancy, property type and other factors are pre-computed. The mortgage consultant simply clicks to select the investor and the lock is transmitted to Lakeland's secondary desk for review and acceptance. A confirmation message is then sent to the mortgage consultant and the loan appears in his or her pipeline with the correspondent pricing information.

"The beauty of the system," he says, "is that all of the research time spent looking for qualifying product and then checking pricing for each investor is reduced to a matter of a few minutes, leaving the mortgage consultant free to move on to the next client."

Since introducing EPIC, over 3,700 loans have been run through the system. Old-style paper locks are still used for some niche investors, says Teteris, but over 85% of the company's product is locked using EPIC.

Lakeland finances principal residences, second homes, investment properties and

even does commercial real estate and land development. "We are primarily a Minnesota lender and we are licensed in Wisconsin and Florida, mostly to handle cross border and second home transactions for our Minnesota clientele," says Teteris.

Lakeland Mortgage now comprises five offices in the Twin Cities area, with plans to open two more in the coming year. With eight to 10 mortgage consultants, a few loan processors and other administrative staffers at each location, Teteris and company have built a strong professional presence in the region.

Lakeland's branch operations are tied to a network using a virtual private network (VPN) and company intranet. Team members take part in monthly sales meetings, where the latest company advances are rolled out to mortgage consultants, along with presentations from correspondent investors or niche product wholesalers.

Teteris has also set up an advisory board of Lakeland's top mortgage consultants, a group that meets quarterly to discuss both internal and external developments and opportunities.

Unique arrangement

Lakeland's relationship and pricing arrangements with its loan officers are unique, notes Teteris, who believes Lakeland is "one of the very first companies to offer loan officers the opportunity to turn the traditional commission structure upside down. In fact, we threw out commissions altogether," he adds.

"Our mortgage consultants are essentially thinking like CEOs, running their own origination businesses within the business of Lakeland Mortgage. The gross revenue they bring in is credited to their internal P & L. They make spending decisions, and their expenses are debited to the P & L along with specific loan-level and occupancy fees to the parent company. Whatever is left is paid out to the mortgage consultant as his or her 'profit' for that period," he says.

"Our message to high-producing loan officers on traditional commission is this: You can stay put and leave 50 to 100 basis points on the table or, you can start your own company and watch your production decrease proportional to your time spent doing administrative chores, or you can come to Lakeland, where you have the flexibility to build your sales team while relying on us for the backroom stuff," comments Teteris.

He feels that, "Your profit per loan and pre-tax expense treatment is comparable to having your own business, yet you have none of the capital requirements, 80-hour work weeks or risk to your net worth that

you would have on your own."

While Lakeland has certainly enjoyed the benefits of this long run of declining rates and refinance activity, its core strategy remains tied to the referral of purchase business to its mortgage consultants. "And that means providing knowledgeable advice to the consumer upfront, which is supported by continual improvement in service, speed and efficiency in operations," adds Teteris.

The right foundation

This philosophy has served as the foundation for success for Lakeland's team under Teteris. While leading Lakeland out of the '90s into a strong growth period, a different goal for Teteris involves breaking 90 - on the golf course. And although Minnesota is no golfing hotbed, Teteris is not far from a number of established ski resorts, where the avid downhill skier even competes in NASTAR events.

But it is the time with his wife of 15 years and their daughter approaching her teenage years that Teteris cherishes most. That concern for nourishing the family unit is what brought him back home a decade ago and led to his entry into the world of mortgage banking. Now, 10 years on, he hopes to build upon the recent growth of the Lakeland family of professionals.

"The continued growth of our origination capacity and geographic reach are central components of our 2003 business plan," notes Teteris. "We will be opening offices in both the eastern and western Twin Cities suburbs, as well as completing the staffing of our newly-opened office in Burnsville."

Acknowledging the competitive nature of mortgage banking, Teteris realizes that "innovative and hard-working people are out there every day, devising their strategies and ideas about how to improve the existing models or invent new ones for how to succeed in the business. I think it is important for company leaders to understand their own vision of what they want to be, and then focus on the execution of the strategy."

"At Lakeland, we have had some terrific growth, and it is important to now look with fresh eyes at where we are and how our people, procedures and systems are positioned to take us to yet another level," he says.

"Training, management and technology will all play critical roles in our ability to meet the new challenges that we will face in growing our business. Our main goals, like other companies, are to increase the number and productivity of mortgage consultants on our team while continuing to enhance our reputation for excellent customer service and employee satisfaction." **SME**