By Joe Garrett, Mike McAuley and Jennifer Whip

Ten Things to Do in 2017

Now that we're kicking off the new year, it's a good time to set goals and establish priorities. Here are 10 things we hope you're already doing, but if not, this can be a good reminder for the rest of the year.

1. Do what-if Modeling
Build (or buy) a model that allows you to run different scenarios. Make certain the model doesn't just look at what happens to earnings. It should also look at what each scenario does to your capital, your liquidity and your covenants. If you're not certain what this means, here's an example: What do we look like (earnings, net worth, liquidity, WH lender covenants) if volume drops 40%, margins shrink 20%, and we cut costs 10%.

2. Track *Clean* Pull-Through
It doesn't matter if your pull-through is, say, 85%, if a big percentage of your loans close with price concessions. The corollary to this is that you should know which loan officers or branches get the most price concessions. In a low margin environment, even the smallest concessions can have a big impact on whether you make money or lose money.

3. Keep Loan Officer scorecards
Have monthly scorecards that cover a whole lot more than just volume. Score your originators on price concessions, loan quality, the percentage of FHA versus conventionals, refi loans versus purchase loans, and every other variable that can affectyour profitability.

4. Stop focusing on volume and concentrate on being profitable each and every month.
You have limited control over your volume, so put maximum focus on the one biggest thing you *can* control, which is your cost structure. You have little control over volume, but you have lots of control over your costs.

5. Always worry
If you can't think of things to worry about, worry about being over confident.

6. Assess your Controller or CFO
Have you outgrown him? Is he giving you the sort of reports that help you make better decisions, or is he just really good at keeping the books? While you're at it, assess the CPA firm that does your annual audit. Make certain you have one that really knows the industry.

7. Know your cost-to-originate and calculate your break-even every month
It looks like this might be a tough year, and the companies most able to survive will be those that know about every dollar they're spending. Use industry benchmarking to compare your costs to peers, and if you're not profitable, keep cutting until you stop losing money.

8. Do cash flow projections, and test them every day
A good starting point is to do a five-day and 21-day projection every day. Then look at what your cash is every morning and see how it compares to where you projected it to be five and 25 days earlier. Doing projections, and making certain they're accurate, may one day prevent a near death experience, or worse.

9. Be smarter about your investors
Go on an investor diet. If you sell to too many lenders, you're not important to any of them. Also, see if you can get rep and warrant relief from your investors. If they're getting it from Fannie Mae, why shouldn't they offer it to you? Finally, if it makes sense, get GSE approval.

10. No sacred cows
Be willing to fire friends and family. If things get ugly, be loyal to your company and not to friends or family members. If someone's not contributing enough, it doesn't matter if it's your mom or your best friend. Dump them. Your friends might hate you, but your mom will still love you.

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