

# The secret to new business: Finessing old business

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In most businesses, the key to success lies in getting repeat business from your customers and from the new customers these satisfied patrons refer. In the mortgage business, repeat business accounts for less than 10 percent of the loans the average lender writes — a statistic guaranteed to strike fear into the hearts of even the most stalwart marketing executives.

Today, though, some lenders are learning that they can get borrowers to return if they are willing to empower their loan officers with the right technology and mindset.

## Changing environment

In the past, there were good reasons why repeat business was difficult in the mortgage industry. Before the 1990s, homebuyers rarely refinanced. People bought a home, financed it with a 30-year fixed-rate mortgage and settled in to pay it off. By the 1990s, the average homeowner called upon a mortgage-loan officer to refinance a home or to buy a new one about every seven years.

Most loan officers found it difficult to stay in touch with people with

whom they had not done business in seven years or longer. In fact, with the cyclical nature of mortgage lending, many loan officers weren't even in the business for seven consecutive years. By the time the borrower came back for another loan, the relationship was back to square one. This put each loan officer on equal footing with every other company in the space.

In the recent past, transaction infrequency was not the problem. Quite the opposite: Historically, low interest rates brought millions of borrowers back to the closing table. This flooded mortgage companies with hot leads. Loan officers became order-takers and have remained so for much of the past four to five years.

Those days, however, are ending. While mortgage volumes are dropping more slowly than many predicted, they are falling, nonetheless. Interest rates are creeping up, and the pool of borrowers who do not already have low-interest-rate mortgages is shrinking. What will be tomorrow's excuse for not winning repeat business in the mortgage industry?

Although the mortgage business follows fairly predictable cycles, given enough economic data, no one expected the past refinance boom to be so powerful. The volumes in the early 2000s dwarfed everything that came before them. Consequently, the industry's infrastructure exploded, with every part of the business adding people, technology and the facilities to house them.

Since then, most companies have more to lose. After the dot-com bust and terrorism's damage to our econ-

omy, people are less forgiving when it comes to layoffs and closing branches. The industry's largest lenders already have had a taste of the negative publicity that comes with downsizing their staff. Without a way to increase the business coming in the door, however, most companies will have little choice but to scale back their operations or go out of business.

## Building stronger relationships

As successful lenders have already learned, selling more to your existing customers can be even better than bringing in additional business. It's easier, and it costs less. That's one reason home-equity seconds and home-equity lines of credit (HELOCs) are so popular now. Few deals are closed today without some kind of piggy-back mortgage to free up more of the borrower's equity and increase business for the lender.

These types of loan products, and the adjustable-rate first mortgages (ARMs) upon which most of them are based, are more complicated than fixed-rate mortgages. They pose some additional selling challenges for loan officers. But they also provide an incredible opportunity to deepen borrower relationships.

Most of these loan programs are keyed to a floating index that changes the borrower's payments and the cost of the financing over time. Many lenders have pushed ARMs aggressively in the past year or so, as interest rates have been extremely low. But the rates on all of these loans are rising now and will continue to do so. At the same time, new loan programs hit the market all the time. Soon, borrowers who bought

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these products will want to refinance their homes.

In the old days, a loan officer would close a deal and then put a few follow-up reminders in a tickler file. These “Hi, how are you?” calls generally were not effective ways to advance the relationship, but they did tell borrowers that the company wanted to do business with them again.

Today’s technology allows loan officers to use data-mining and analytics to determine the right time to get back in touch with borrowers. When they do make that contact, they can provide information that is of real value to the homeowner. This will deepen their relationship and increase their chances of repeat business.

## **It’s about information, not technology**

Always knowing exactly what’s happening to hundreds of unique loans in your portfolio does require some technology. But it’s a mistake to think that customer-relationship management is a technology problem. When you’re making decisions that could place borrowers in a better financial position, they don’t care what tools you use to get them there. They just want to know that your company has the desire and ability to do so.

Technology plays an important role, but the real key to creating customers for life is not forgetting about the customer as soon as the ink dries on the note. Now that the next deal may not be waiting outside in the hallway, more companies are likely to begin thinking this way.

Mortgage lenders must be willing and able to provide information that existing customers need when it is best for them to receive it. To make this happen, lenders must provide their loan officers with the technology to track and compare loan programs. They must use specific customer data and train and convince their people to use it.

Adjustable-rate mortgages provide a great opportunity to meet customer needs with updated information, as interest rates change frequently. Borrowers know that their loan terms are subject to change. They also know they should be paying attention to them. Some lenders count on the fact that borrowers won’t have the time, inclination or experience to track their loans effectively. Loan officers who win homeowners’ business help them track their loans and supply information on refinancing when the time is right. HELOCs provide similar opportunities.

Rather than focusing on customers, some companies are attempting to solve this problem by focusing on their loan officers. These managers are intrigued by the idea that technology could allow them to watch every move their employees make. Time-stamping lets them slice and dice every hour of the day to determine exactly where their originators are productive and where they are wasting time.

This attitude has opened the door for large technology firms that provide expensive sales-force automation tools. Although these systems have proven effective in other industries, particularly manufacturing, they have proven less-effective for financial-services companies.

Most loan officers working in the mortgage business today are, or have been, independent loan brokers. These professionals are fiercely independent and do not appreciate being micromanaged. While they accept constructive criticism and take advantage of lenders’ training programs, they often do not stay with a company that doesn’t offer significant freedom. They see these massive platforms perched above them like vigilant sentinels, waiting to catch them in an error as soon as an internal timer indicates a missed deadline.

Lenders can lead their origination teams into securing more repeat busi-

ness by providing the proper technology tools. These tools make it easier for loan officers to share pertinent, loan-related information with their borrowers. It is also helpful to follow up with the sales training required to take full advantage of these tools. Additional sales training could be required to help originators understand the tasks involved in creating customers for life.

## **Going beyond Outlook**

To manage their customer relationships, many loan officers use simple calendar programs, such as those included with Microsoft Outlook or the Palm Desktop. Creating customers for life, however, requires the ability to track a great deal of information about home-owners and compare it to appropriate loan products to benefit borrowers. It also means tracking related financial-services products that appeal to the target market. All of these require specialized technology.

Going beyond simple calendar programs, loan officers should use a tool capable of tracking every detail of a borrower’s credit, property and current loan program. It also should be able to compare this information to current loan programs. This will help automatically identify an opportunity to save the customer money. The tool should help start marketing programs by merging customer-specific data to new loan-program information and delivering the data to prospects as they wish.

Choosing the right tool is a good first step, but loan officers must be trained to use it. The importance of using the tool and remaining in contact with past borrowers must be impressed upon every employee.

Training also is important because many of today’s loan officers came aboard during the recent refinance boom — and they have never had to do anything but take orders. Successful

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companies provide many opportunities for these originators to hone their craft. Once the company's expectations are known, the best employees will have little trouble meeting them, especially when the end result is more success for everyone involved.

In the end, creating customers

for life depends on management's willingness to make past customers a priority. Then, companies enable and reward loan officers for bringing that business back. Mortgage lenders that provide loan officers these opportunities through training and the right technology will be more successful.

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