THE MORTGAGE LENDER'S Lender

— by BILL EARLY —

Looking for another channel of business for your company? Or, as a loan officer, are you interested in reaching out to some affinity groups that might really find you and your services valuable? ¶ Well, I've got an unlikely niche to run by you that you might not have thought about in the past—but it's available. ¶ You might be saying, "Well, why should I listen to this guy anyway? What's his track record?" So let me fill you in briefly on my company's history. ¶ This is my wife's and my 31st year in the mortgage lending business, and Cathy and I are now on our third mortgage company—PlumDog Financial. We started our first operation in Detroit and now reside and lend in beautiful Asheville, North Carolina. Whoa, that was a good move! ¶ In 1987, after just two and a half years in the business, we sold our first mortgage brokerage operation to a local bank. We had seven loan officers; were writing just over $100 million per

Banks, credit unions, mortgage lenders, investment firms and myriad other "financial type" companies are waiting to meet you. (They just don't know it.)

year; Fannie Mae's conforming loan limit was $153,100 and our average loan amount was approximately $124,000.

We proceeded to start our second mortgage lending brokerage in 1989. Eventually we had 75 loan officers (and no processors); were closing $350 million per year; Fannie Mae's loan limit was $214,600 and our average loan amount was $143,000. In 1997 we sold that operation to a local financial planning firm.

Now, you ask, why were these particular firms interested in purchasing our mortgage lending companies? I mean, the bank already had a mortgage operation and the financial planning firm really wasn't in that business.

Let me tell you the story of how it happened. Once upon a time. . . .

We knew from the get-go, because different is better, that we weren't going to be as successful focusing our sales and marketing on the same market (typically Realtors®) as the other 9 bazillion lenders in the area did.

So, thinking about the various options, and to make a long story shorter, we decided to put together some creative marketing programs and services that were pertinent and attractive to the "other" financial services industries.

First, the banks

We knew the banks had thousands of employees in the Michigan market, couldn't deliver the service we could, and would not be as competitive with price, closing costs and loan programs. And we surmised that many of their employees just would not want to divulge confidential information to their employer. Still, were they comfortable sending and/or referring clients and employees our way? Yes.

Why, why, why? No. 1, we convinced them that they surely did not want an existing customer or employee going to another bank for their mortgage, for any reason, as it could jeopardize business the bank is currently providing in other products and services. Two, they truly should want the best for their clients and employees when it comes to getting a mortgage. And three, we were not a competitor with the bank's other 14 non-mortgage products.

And to really seal the deal, we assured them that we would be a valuable source of referrals because our mortgage clients would need all the traditional banking products that we could not provide. Win, win, win.

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The other terrific channel for business within the retail banking industry is credit unions. Credit unions are gathering some momentum in the United States as a viable alternative to traditional banks. Although they provide many of the same products and services, and are typically more tuned in to their constituents through company affiliations, they still occasionally lack the expertise of a conventional bank—including mortgage lending.

How do we know that? We get on the phone and/or website and inquire about getting a mortgage. What is the result? Valuable information as to how their mortgage operation works, including what type of programs are offered, what the rates and fees are, and what exactly is the process for getting a mortgage.

Let me give you a great example of what can happen if you reach out to this group.

After establishing ourselves as a viable and reputable lender here in Asheville, we began to vet the local financial institutions and their mortgage departments. We investigated a very large credit union and found that to get a mortgage from the institution you had to call an 800 number that put you through to an operator in the Upper Peninsula of Michigan—brrrrrr.

We called the manager of the credit union to set up an appointment to discuss a "really special" client service that he would appreciate. We met, and he let us know that his credit union didn't do many mortgages because the service was so poor and it didn't feel comfortable sending its clients on the journey, via telephone, to the northern tundra for a mortgage.

The result: We are now this credit union's official lender. It markets us on its website, hands out our brochures at all its branches and continually refers its clients to us during the course of business. Needless to say, it's been a very productive and satisfying relationship. And, as you know, when a third party—the credit union—refers you, you close the sale most of the time.

Of course, the final decision of who to use for a mortgage is entirely up to the consumer who is the customer of the credit union, and there are no referral fees for simply referring the business.

What about the giant banks in your area? Go get 'em!

We have another relationship with one of the biggest banks in the country here in Asheville, who works with us because they can't do U.S. Department of Agriculture (USDA) Rural Development loans, and their ratios on conforming loans are tighter than ours.

And, similar to the reasons I stated three paragraphs ago, we are slowly penetrating the bank's database of mortgage opportunities, including employees and clients, because we continue to provide great "stuff." And by that, I mean extraordinary service.

Secondly, financial investment firms

Why call on financial investment firms? The same reasons mentioned earlier—and more. They have a ton of clients, are responsible for the financial well-being of their clients and are looking for ways to not only reach out to clients/prospects, but to also find additional sources of money to invest.

Even though most firms—Merrill Lynch, Schwab, Edward Jones, etc.—have their own mortgage entities, no way are they going to jeopardize their existing relationships by suggesting their clients use their mortgage company if, for example, the processing center is in New Delhi, India. Another good reason to call on these groups is that none of your competitors are thinking unconventionally like you are.

In 1997, we sold our second mortgage company to a financial planning firm in Detroit. Our initial relationship with this firm began when one of our loan officers approached the owner with our Mortgage Management program. In a nutshell, we would begin by reviewing the firm's existing client's mortgage to determine if he or she could benefit by refinancing.

Well, the firm had more than 4,000 current clients, and many of them did have a need to either lower their monthly payment for rate and term or consolidate bad debt, or wanted to pull cash out for reinvestment purposes. And kaboom! We went crazy with activity.

The financial planners were ecstatic with the responses and results, and the client thought the Mortgage Management service from the planner was unique, pertinent and very valuable. The planning firm began to see us as an integral part of its whole process, and a differentiator between it and its competition (which is always powerful).

On one memorable occasion, my loan officer closed a loan with a client in which he was at the closing (we always are), and the financial planning firm's client received a cash-out check for $65,000. The client asked my loan officer to please take this check right over to the financial adviser and give it to him. Picture that scene!

Create a deliverable that is totally unique, exciting and valuable.

Extreme joy, excitement and commissions were celebrated by all. Who won in that scenario? The homeowner client, who pulled cash out to help achieve his retirement goals; my loan officer, who closed a $245,000 loan; and the financial adviser (obviously) all saw rewards.

My lending friends, is there a better formula for doing business than that?

OK, what more do I need to say to get you going in this direction? Start dialing, emailing and even cold calling on some of these entities. Heck, I used to walk into bank branches, ask for the manager and jump into a conversation about mortgages—can I get one, what programs do you have, where is the loan processed, rates and fees are what, how long will it take, and so on.

My conversation always led me to the information and conclusions I needed to move forward with a plan. Oh, I always ended up telling them I was a competitor, but that I would like to work with them on sending my mortgage clients to them for retail banking needs and/or for mortgages that I couldn't provide.

Benefits, benefits, benefits—I love this avenue. It has enabled us to be unique in the lending industry, recruit top-notch talent, grow profitably, sell two companies and, to tell you the truth, not have to engage in the Battle of Realtors.

The value of expertise

My sister's wedding was a blast! We danced all night, had a fabulous meal, drank some delicious beverages and made the cake disappear in seconds. It's Sunday morning, and I have an incredible craving for a strong cup of coffee and a mouthwatering, sweet, sugary glazed donut to go with it.

Jumping in the car, I drive to the local shopping center and park in front of Dumbo's Big Elephant Supermarket that carries 1,297 items, including donuts, and is coincidentally located right next to a Krispy Kreme store. Mmm, which one do I choose?

That week I also decide that my car needs a new set of tires. I begin my Internet search for local shops that can help me, and proceed to find myriad options. Nearby is Firerock Service Stations, which can provide 147 products and services, including tires; and in the same mall is a Discount Tire Store. Mmm, where should I go?

And, oh dear, my eyesight seems to be failing a bit, and I really should get an eye exam soon. Go ahead and guess—Walmart or my local optometrist?

The answers to these three options, for me at least, are: 1) duh; 2) no question; and 3) really? And my point, obviously, is that consumers and clients feel the same way about banks on occasion when it comes to getting a mortgage.

They ask themselves the logical questions of how can my banker handle my mortgage when he/she has 19 other products to sell, or give me the time necessary to handle such an important transaction, and be an expert in the mortgage arena while keeping up with all the other tasks and responsibilities of a banker?

Other thoughts of the typical consumer might include how can my banker be competitive with such large overhead, do I really want to support a bank headquartered in Canada, and will the banker be able to meet me at 7 p.m. after work?

It's definitely a challenge for banks today, and I trust, versus hope, that they are aware of the environment and mindset of today's homeowner clients—especially after what has occurred over the last few years of high mortgage originations. Many banks did not fare exceptionally well in customer satisfaction surveys ("Americans are less happy with their banks in 2014 than in previous years," *The Washington Post* reported in a Nov. 18, 2014 article), and there were many large banks that were in the news with billion-dollar fees and penalties attached to their name.

Is there a solution? Yes. Will banks adapt and accommodate? They have to—unless they are thinking like General Motors, Lehman Brothers and Delta Airlines. But how?

The solution

I think there are three ways that small to medium-size banks can endure (definition: sustain without impairment or yielding) and excel in the mortgage business going forward.

- ***Focus on differentiation:*** Create a deliverable that is totally unique, exciting and valuable. You cannot continue to just say that "we give good service." It's boring, a cliché, and doesn't mean a lick if every one of your competitors is touting the same darn thing.
- ***Distance your mortgage operation from the rest of your bank:*** I realize this can be difficult, as you want everyone to be one big, happy family. But make sure your clients know that this distinct group is special, highly trained, commissioned (ideally), available 24/7 and knowledgeable of today's new lending guidelines.
- ***Start a new successful existing mortgage company or buy one, and run it separately:*** Incorporate all of the bank's best-practice procedures and philosophies, and leverage and exploit the qualities of an independent broker/owner. You have the advantage of a pure mortgage company, with the benefits of still getting clients to utilize all of the bank's other retail products through a well-defined referral system.

OK, my time is up. I hope you've enjoyed the article. You've read why existing mortgage companies should call on banks, and how banks might capitalize on expertise. If you have any thoughts or questions with these ideas and/or methodology, please feel free to reach out to me via email and I will respond.

Cheers, and good luck! **MB**

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