



MORTGAGE 2.0

AFTER THE DUST HAS SETTLED

Eight Post-Recession Sales And Marketing Best Practices For Mortgage Professionals

WHITEPAPER

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Executive Summary

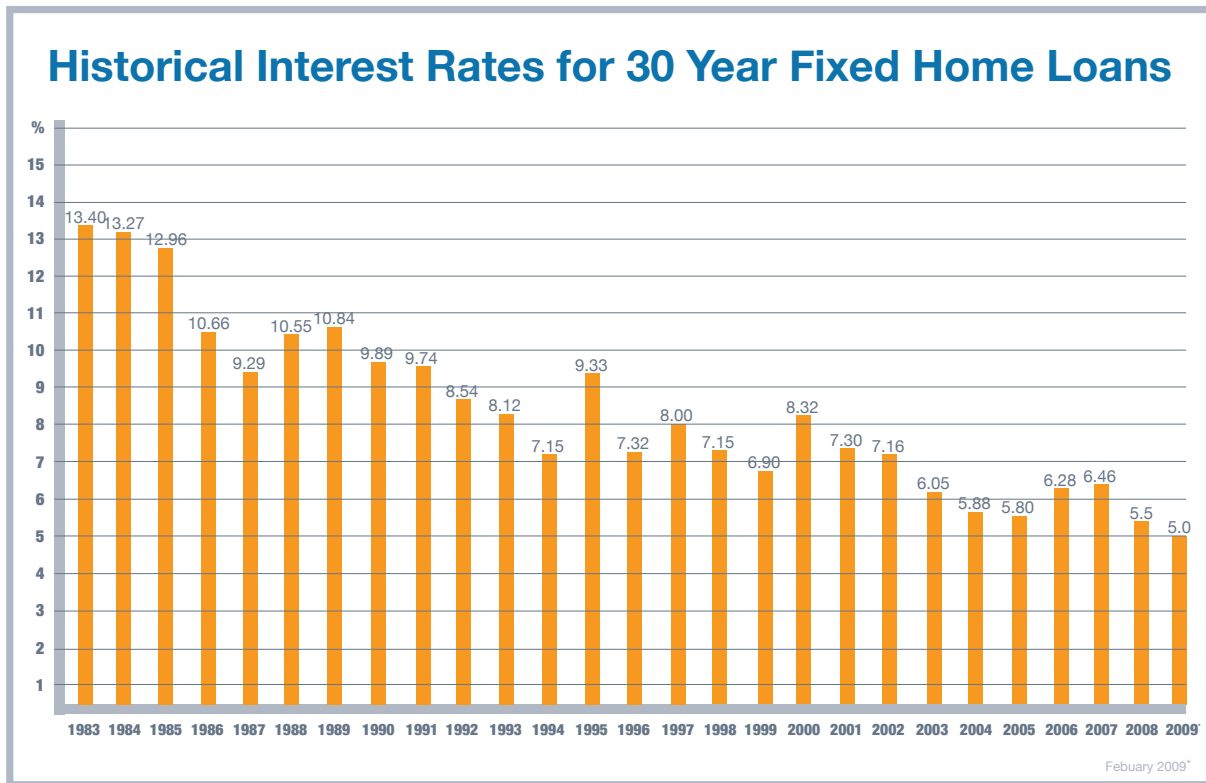
Signs of an improving economy are slowly emerging. For mortgage professionals in particular, the signs are encouraging. Inventory is falling, applications are on the rise, and consumer confidence is gaining. Although the mortgage industry looks to have a promising future, this does not mean that things should return to the way they once were—not by a long shot. Money is still tight, credit requirements are stringent, and consumers and bankers are still gun-shy. Much like a science-fiction disaster movie where the survivors are emerging and feeling their way around the new landscape, the remaining survivors in the mortgage business will have to be especially resourceful.

So what does this Brave New World look like? How are customers and prospects different today? How are Mortgage-Pros generating prospects and winning business in this new environment? This white paper surveys some of the most innovative organizations in the mortgage industry, and details some of the new best practices that are emerging for generating, pursuing, and most importantly, converting more leads.

Cycles Are The Norm – Not The Exception

Historically, the mortgage market has always been cyclical in nature, characterized by often dramatic ups and downs. Consider the S&L meltdown in the late 1980s and the dramatic growth that followed. Or, the fact that during the past three decades, around 40% of housing busts in big metro areas have eventually been followed by strong recoveries. Fluctuations in 30-year FRM rates from 1983-2009 clearly illustrate that

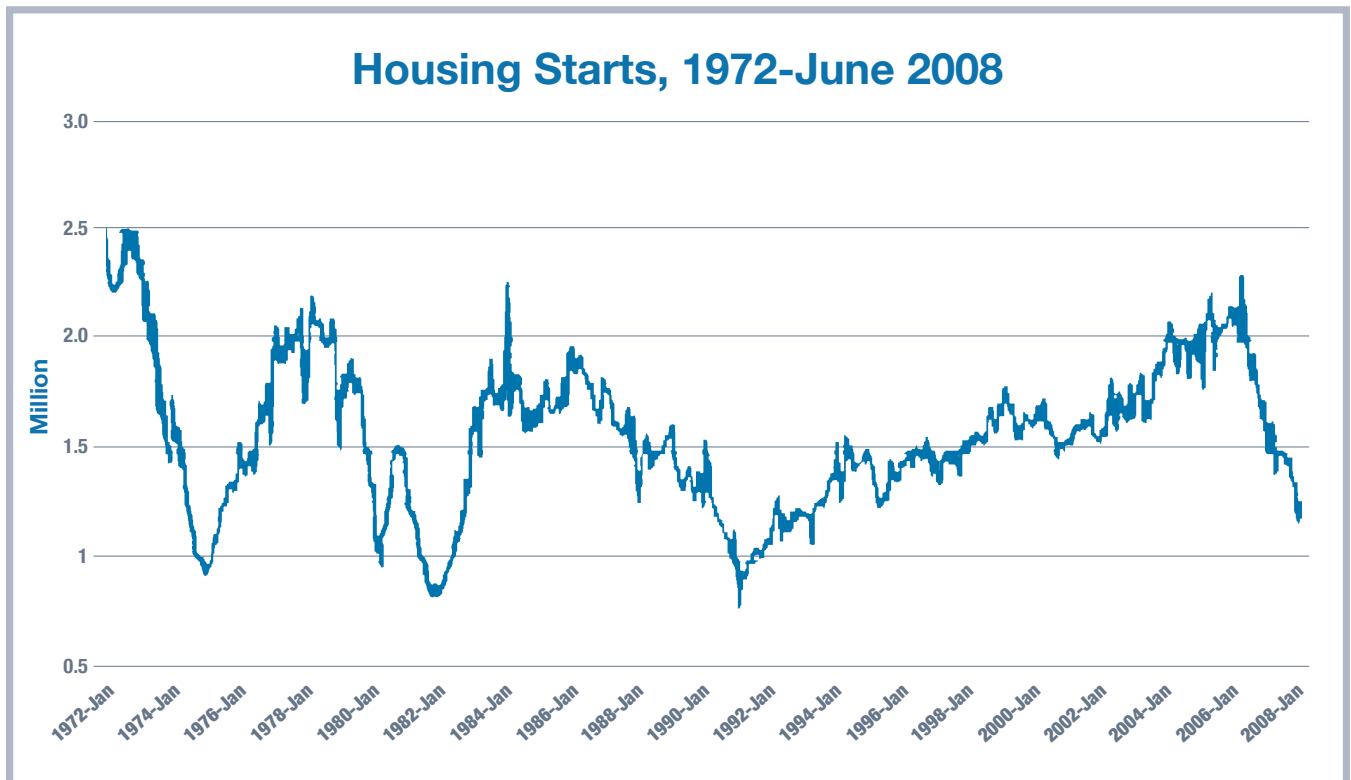
mortgage rates have moved like a roller coaster for quite some time. This cyclical nature is also true for housing starts. Scott Sambucci, Vice President of Sales & Data Analytics for *Altos Research*, a resource for real-time real estate market analytics, discussed the cyclical nature of the housing market in an article published on the site SeekingAlpha.com, including the ebb and flow in housing starts since the 1970s.



(source: <http://www.homefinders.com/historical-interest-rates/>)

Sambucci encourages his readers to put what happened during 2008 in perspective. “Every recession in economic history was followed by a boom of innovation, economic growth and prosperity,” he writes. “[Now] let’s show some discipline and a little

faith that the existence of business cycles indicate that it’s not necessary to solve the recessionary and housing market problems...with near-sighted patchwork.” ¹



(source: <http://www.census.gov/const/startsan.pdf>)

1. Scott Sambucci, *The Mortgage Industry, Housing Market and Inflation*, Jan. 19, 2009. Retrieved Aug. 24, 2009, from <http://seekingalpha.com/article/115338-the-mortgage-industry-housing-market-and-inflation>.

There Is Life After The Bust

The news media consistently reports encouraging signs that the mortgage market is approaching recovery:

- Existing family home sales, by far the largest segment of the housing market, have been relatively stable in recent months.²
- The National Association for Business Economics predicts “above-trend” growth for the U.S. economy in 2010.³

Perhaps the most encouraging signs were that the low mortgage rates seen in the summer of 2009 were helping to reinforce the housing market. New construction on single-family homes rose for the fifth consecutive month in July to an annualized pace of almost 500,000 homes, the most since October 2008. In addition, home builder views of housing market conditions for the remainder of the year rose for the second month in a row in August to the most positive reading since June 2008, according to *The National Association of Home Builders*.

So Now What Do You Do? Eight Best Practices For Generating Business In The New Environment

Along with the positive news, three key truths are evident in today’s environment:

2. Michael Shenk. *Is the Housing Bust Over?* Federal Reserve Bank of Cleveland, May 12, 2009. Retrieved Sept. 23, 2009 from <<http://www.clevelandfed.org/research/trends/2009/0509/05ecoact.cfm>>.

- Consumers have changed. As a result of the media attention the mortgage industry has garnered since late 2008, mortgage prospects have a better understanding of the market and its requirements. They are more skeptical and ask more questions, especially in the case of new home buyers.
- Consumers are more likely to be better qualified now, than consumers that fell victim during the events of 2008.
- Consumers understand that with fewer people in the market, every single lead is precious, and therefore must be treated as such.

Armed with this perspective, many mortgage brokers are not only holding their own, but they are also growing in this new environment by leveraging sales and marketing best practices. Success takes more than just old practices, it is an equal measure of both art and science.

1. Evaluate Your Message

Because consumers are different today, your methods of communicating with them might need to be different as well. Consider retooling any company messages that could strike a sour note. For example, the lead generator LendingTree has undergone some exercises in rebranding recently, including using the

3. “Above-Trend” U.S. Growth Forecast for 2010, NABE Says. *Mortgage News Daily*, Feb. 23, 2009. Retrieved Sept. 23, 2009 from <<http://www.mortgagenewsdaily.com/channels/fed-economy/02232009-growth-forecast-2010.aspx>>.

color green for growth on its website and dropping the tagline, “When banks compete you win.” Mark Fowler, Senior Director of Sales and Account Management for *LendingTree*, mentions that “We’re taking additional steps to help individuals and families manage their budgets and get the best deal on credit cards.” “We’re also extending our brand beyond mortgages to empower consumers into making smart financial decisions in all aspect of their lives. An example of this, is our new MoneyRight product that helps people manage their daily expenses and overall budget.”

The company’s rebranding approach mirrors an industry-wide change in the relationship between buyer and seller in the mortgage industry. Where once the key message was “We can get you the best deal,” today it is “Let us help you.”

2. Evaluating Marketing Decisions

During high times in any industry, there is always a tendency to operate less conservatively. For mortgage brokers, this spirit often translated into shopping around for Internet leads and buying them haphazardly from vendors. Today, however, successful mortgage brokers are finding that an analytical approach works the best.

It is critical to buy leads systematically and evaluate the performance of different lead sources and filters. “Based on our analysis of the performance of more than 15 million leads from thousands of clients, we have seen that the companies that perform best use a

blend of different lead sources,” said Nisheeth Singh, Director of Strategic Intelligence at *Leads360*. “Maintaining a variety of lead sources not only hedges risk, but provides valuable insight into what’s working and why. When you stick to only one lead source, you have no way to compare and evaluate performance.”

3. Filter And Distribute Leads Quickly And Precisely

It is increasingly important to be selective when choosing lead providers, lead types, and other marketing sources. “We’ve taken a stricter stance on filtering the leads we acquire,” said Todd Jones, Managing Director for *Guaranteed Rate Direct*, a Chicago firm that has held a position on the *Crain’s Chicago Business Magazine’s Fast 50 list*, three years in a row. “We filter for Loan-to-Value (LTV) ratio, stricter LTVs on jumbo loan sizes, declining markets, and conforming loan sizes.” Granted, it’s a smaller universe of leads than the company used to have, but Jones noted that it is still a promising market today, with a lot less competition than there used to be. “The opportunity to pick up market share is pretty large,” he said.

Guaranteed Rate Direct continues to buy leads from various sources, but is more focused on providers of home purchase leads, and optimizing their lead management software. “It takes a primary role in communication to borrowers once the process begins,” said Jones. “We send automated e-mails through various channels depending on what type of

leads they are and what type of transaction they are looking for. We have 38 different automated e-mails going out, so lead management technology is key to distributing leads quickly to the right loan officers, and communicating precisely with prospects.”

Jones also said his loan originators are prepared to tell people they don't qualify for a loan. “It's better than trying to squeeze an out-of-the-box deal into the box. We strive to make sure the customer experience is the heart of our business.”

4. Take A More Consultative Approach

With leads as precious as they are today, mortgage brokers say they are handling them more intently than ever before. Where it once was enough to answer questions about interest rates from prospective buyers, today there is a greater focus on discussion of big-picture benefits to the borrower; and that can mean calls take longer than they used to.

“We really try to keep the main thrust to what goals they are trying to accomplish, not what our rates are. If we tell a prospect they can save \$350 a month, it has more resonance than hearing their interest rate is 5.5%. We help people see beyond the one question Suze Orman told them they need to ask,” said John Baldino, VP of HR and Sales for *Pleasant Valley Home Mortgage Company*, a 25-year-old firm based in New Jersey.

For loan officers who work for Baldino it means a more open approach over the telephone. “We don't want our

loan officers to be boxed into a corner with leads asking, ‘What's your rate?,’ We want them to be able to say, ‘Look, you have gone online. You have inquired about obtaining a mortgage because you have debt to pay off. We want to try to lower how much money you are spending each month.’” In the end, results stem from providing great customer service, giving them what they want, and by following-up promptly with accurate information.

5. Automate Follow-Up

The e-mails sent to prospects by *Guaranteed Rate Direct* and other firms have different content than in the past—a response to today's savvy consumer. Jones mentions that the e-mails contain “more industry content versus marketing slogans. They let consumers know what's going on in the market today.”

In particular, new home buyers have questions about the current events happening within the economy, including President Obama's economic stimulus package, and how it may apply to them. This means loan officers must stay informed; *Pleasant Valley* takes the challenge seriously. “The \$8,000 tax credit, available to first-time home buyers until Dec. 1, 2009, is a huge benefit that people have questions about. For example, if you have not bought or owned a home in the last three years, you still qualify as a first-time home buyer and could receive that tax credit, so it's good to be able to surprise people with news like this,” said Baldino. It is more important than ever for loan officers to keep abreast of what's

happening. Some mortgage brokers use a team-teaching approach, encouraging their loan officers to share what they know or have recently learned online by passing along links to their co-workers from such sites as fanniemae.com, freddiemac.com or the HUD site, hud.gov. Collaboration of knowledge is key, and it can start with something as simple as a “Hey, did you see the latest...?” conversation in the break room.

6. Expand Traditional Marketing Channels

Using lead purchases to build your referral base over time will likely result in the best outcome, but it also pays to augment lead purchases by building relationships with real estate dealers and contractors. Even if the relationships aren’t delivering business today, brokers have faith that they will again soon. “I know a lot of realtors who want me to handle their business but don’t have a lot of it,” said Baldino. “I’m confident that when things turn around, the business will come. Cultivating the relationships and putting yourself out there is extremely important.”

Pleasant Valley is stepping up efforts to leave flyers on doors of homes in the immediate area of its headquarters. The message they are trying to get across is that “we are here if you need us.” “We have had good results from the door hanger approach—better return than a direct mail campaign,” Baldino said. Successful brokers are also evaluating their websites to be sure they are as effective as they need to be at generating new leads as well as closing leads that are purchased or generated by other means. If prospects go to your website to validate your credibility,

a weak website will work against you, reducing the effectiveness of your sales agents and marketing efforts. It is important to let no stone go unturned in your efforts to work leads thoroughly.

“We are posting photos and brief bios of our loan officers on the website,” said Baldino. “Prospects can go to a landing page for each individual loan officer to inquire online about purchase or refinancing options. On the same token, realtors who work with a particular loan officer can refer clients to the officer’s landing page and then fill out an online loan application. There is a sense of familiarity when you can connect a face to a name.”

7. Use New Marketing Channels

Virtually every sales and marketing professional in every industry is considering how *Twitter*, *Facebook* and other social media channels can help them build their consumer communities to reach potential. Mortgage brokers are no different. “That’s the beauty of social networking—it builds your audience, it exposes you to more people you otherwise never would have had an opportunity to market to, and it’s relatively painless to build,” wrote Chad Weber in the article, *Social Networking for Loan Officers on Lenderama*. Weber placed ads on *Craigslist* as a “test” for printed flyers he wanted to distribute. On *Craigslist*, he tweaked the ad message through three different versions of the ads and finally settled on the one that produced 16 replies and 2 sales. “This is micro-market research, and considering I mail 5,000 pieces per drop, it saved me from wasting thousands

of dollars on my first two mailings.” He also likes the fact that the *Craigslist* feedback was instant; he didn’t have to wait weeks to see which direct mail approach worked best.

LinkedIn, *Facebook* and *Twitter* were mentioned as favorite social media sites by mortgage brokers who are clients of *Leads360*, but be sure to enter the waters carefully. “Particularly with *Facebook*, it’s difficult to maintain quality control, because most folks have set it up as a personal outlet with pictures of family vacations. Bringing in a business aspect can be awkward if not handled correctly,” said Baldino, who prefers *LinkedIn*. “I get a lot more e-mail and questions from our postings there than any other social media sites.”

8. Invest In Lead Management Technology

Mortgage brokers say lead management solutions are essential to support sales and marketing today, because they provide the precise organization required to make the first contact with a prospect and nurture it over the lifecycle.

“One of the first questions we ask any prospective buyer is whether they are using a lead management system like *Leads360*,” said Matt Tillman, Director of Sales for the lead generation firm *Adchemy, Inc.* “The answer is typically an early indicator of how successful the broker is going to be at buying Internet leads. Once leads are sent to a loan officer, there is really no other way to track their performance—how many leads have been distributed and how each and every one has been worked.” *Pleasant Valley’s* Baldino, par-

ZILLOW: Breaking The Mold For Mortgage Lead Generation

Much has been written about Zillow.com, also known as the *Zillow Mortgage Marketplace*. Particularly how it is tailored to today’s savvy, more skeptical consumers. So, how does it work? The consumer enters information about the mortgage product they are looking for, but does not have to provide any personal information. The inquiry is sent to every lender who is validated by *Zillow*. Once the lender provides a quote, a list of quotes is sent to the consumer within a few seconds, including name and contact details of the lenders who provided them.

“This is a consumer-centric service in which everyone wins,” wrote Nick Hedges, SVP of Sales and Corporate Strategy at *Leads360*, who writes under the penname “Lead Advocate” on *theleadblog.com*. “Zillow’s dynamic pricing model offers lead pricing per actual contact. In some cases, leads are priced at zero due to low lender demand. The flexibility of this pricing model makes Zillow a remarkably cost-effective marketing channel. Consumers have choice and control, which I would argue is exactly what they are looking for.”

Successful lenders are pairing *Zillow* with lead management technology. “I quickly realized that the process could actually be easily streamlined by connecting *Zillow* with a lead management system and a pricing engine so that a quote could automatically be generated and sent back to the consumer by each lender based on the rates only available to that particular lender,” wrote Hedges.

But how many consumers are actually using *Zillow Mortgage Marketplace*? The majority of lenders are having success by concentrating on their traditional Internet lead providers and leads from their own websites, where they can get a higher volume of valuable leads.

This comment from Todd Jones of *Guaranteed Rate* is typical: “We have given some of our originators the opportunity to try *Zillow*, but we haven’t made an organized effort to get into it. It would take time that frankly is better spent on the phone taking applications.” He did say there would be value if his originators took the time during evening hours to get acquainted with *Zillow* and use it.

Whatever the use, *Zillow* stands as a new and breakthrough model that some lenders are having success with. It indicates that the mortgage marketing landscape is in a period of revitalization and innovation, and that is a good thing. Keep your eyes peeled on *Zillow* in the future, or get the necessary technology, and start lending there today.



ticularly likes the status-based sales workflow in the *Leads360* lead management system. “It lets you tag prospects who are waiting for pricing to reach a certain level, and then you can keep them separate from your general mailing pipeline that you are working through.”

Baldino has benefited from more than an organizational standpoint from the solution. “It’s convenient, sure, but it also helps vary the day for our loan officers because they are not just working from one bucket all day long. You have to keep it interesting to the loan officer, or they get slack and stale, and it affects the way they perform on the phone. If I can keep as much variety in their day as possible, then their inflection and their tone can also have a chance to stay as fresh as possible throughout the day.” Loan officers appreciate the solution, too. Not only does it help them work faster and more efficiently, but it also eliminates the organizational drudgery, clearing their desktops and their heads so they can focus on the thing they do best.

9. Speed And Thoroughness Still Rule

In addition to pursuing sales and marketing approaches, mortgage brokers are making operational changes to adapt to today’s environment. Some are looking for loan officers with deeper experience in the industry, not “glorified order takers,” as one company executive put it. Others take the opposite view, saying they would always prefer to hire great sales people first, and then teach them the mortgage industry. Everyone agrees, however, that speed is still the most important ingredient for success today. One executive pointed to a recent *Massachusetts Institute of Tech-*

nology study,⁴ illustrating just how important speed-to-contact remains. The research showed that the odds of contacting a lead are 100 times higher if called in 5 minutes versus 30 minutes. Every second counts when trying to reach the consumer to ultimately close the deal. *Leads360* has documented findings similar to those in the *MIT* study: most notably that leads convert 22 times more often when brokers make contact in 5 minutes, and 78% of prospects convert with the company that contacted them first. Being fast means being first, and being first means you are putting yourself in the position to close the deal and make money.

LendingTree’s Fowler agrees that lead management technology is a key driver for achieving this desired speed-to-contact today, and he is recommending the technology to brokers who purchase leads from his company. It’s not only speed-to-contact that lead management enables, though. *Leads360* research also shows that ultimately, converting a lead is 57% lead quality and 43% sales process. Even the best leads require a fast, thorough, and consistent sales process.⁵ Structured follow-up with repeated contact attempts by phone, and automated “drip” e-mail is key—all part of a comprehensive, multi-pronged sales process. Lead management technology supports this approach which is especially vital in a market like today’s, where every lead is precious.

4. *Insidesales.com/MIT Lead Response Management Study*. 2009. Retrieved Aug. 24, 2009, from http://www.leadresponsemanagement.org/mit_study.

5. *Leads360 data based on analysis of 15 million leads.*



Conclusion

It's no secret that the mortgage landscape has changed in recent months. Good things are happening, albeit slowly, and mortgage professionals who weathered the storm are finding much to encourage them. "We're seeing momentum building," said *LendingTree's* Fowler. "It's not a tsunami of new business, but it is growing." In response, *LendingTree* has resumed advertising after an eight-month hiatus.

Even with the building optimism in the industry, it is clear that what happened over the last year will

leave an indelible mark on the way lenders and brokers do business. Most consumers are much more cautious than they were during the high-flying days of the mortgage boom in the early part of the decade. This new environment requires fine tuning of the company playbook, and consideration of the best practices previously discussed in this paper. Successful businesses learn from the past and adapt with the times, to ultimately meet the needs of the new consumer.

About Leads360

Leads360 is the market and technology leader in Web-based customer acquisition and lead management solutions. We enable buyers and sellers of consumer Internet leads to achieve unparalleled return on investment. Our clients can realize maximum lead value through our purpose-built technology, success-driven training, highly responsive support team, and superior intelligence surrounding lead performance. *Leads360* currently manages more than 20,000,000 leads and serves over 4000 clients in the most competitive business-to-consumer industries. For more information, visit www.leads360.com.

