

Navigating the “New World” of Mortgage Lending Presentation Synopsis

Introduction

We are entering a “new world” in the mortgage lending industry. For the past ten years, continually declining interest rates have fueled a strong and steady refinance market. Alongside that, the post “mortgage meltdown” meant banks and lenders have had to divert much of their attention and resources to installing new policies and procedures in response to stricter standards and regulations.

It’s now 2017. Most of the big regulatory changes are behind us, and we have evolved into a predominantly purchase-loan mortgage market. Home sales are up, new housing starts are up, the economy is strong, consumer confidence is high, and interest rates remain at historic lows. On average, 16,400 people are getting a home loan every day in this country. It’s time for lenders and loan originators to get back on the streets, in front of the home buyers, and capitalize on the opportunities that are out there.

Here are five approaches that will help them do just that:

1. Owning a Sales Mindset.

In this business, some companies and individuals possess a service mindset, and some possess a sales mindset. Service-focused people and companies are more reactive and inward thinking. They direct most of their attention and energy toward operations, the backshop, and waiting for customers to come to them.

Sales-focused people and companies are more proactive. They direct most of their attention and energy to finding, securing, and keeping customers. In this “new world” of lending we have today, those organizations and individuals with a proactive sales mindset and an outward thinking approach to the business will thrive, and produce the lion’s share of the business.

To succeed this year and in the near future, lenders and loan originators must focus more of their conversations, their resources, their time and their efforts on sales-related, business-generating activities, and less time on working files in process, dealing with internal issues, and expecting customers to somehow “magically” come their way.

2. Responding to the Realtor Shift.

Fewer and fewer home buyers today are finding their mortgage lender through their real estate agent. A recent nationwide study revealed that only 26% of all buyers today will select their lender based on the referral or recommendation of a Realtor. The grip agents have on a buyer’s decision of which lender to choose has been slipping for years, and will continue to decrease as we move forward.

With more and more buyers getting pre-approved for a home loan long before contacting a Realtor to look at properties and today's "self serve" consumer, lenders must rely less on Realtors for their business and spend more time, effort and money finding buyers on their own.

Does that mean loan originators should ignore Realtors as a source of leads? Absolutely not. But it does mean many originators may need to start working with more Realtors than in the past (instead of 4-5 agents as referral partners, they may now need as many as 9-10) and opening up their business model to new and different channels of loan production outside of just Realtors.

3. A Focus on the Millennial Home Buyer.

Millennials, ages 18-34, now make up the single largest segment of home buyers in America. In 2016, Millennials bought one-third of all home sold. Forecasts predict they will occupy 40 percent of the market in 2017 and account for more than half of all homes sold within the next two years. Lenders need to adjust their strategies in this "new world" to locate and land this new group of buyers.

Millennials do extensive research online, and want to see a lender's presence there. They will vet lenders by checking out their websites, LinkedIn profiles, landing pages, social media posts, and look for up-to-date ratings, reviews, customer comments, and testimonials.

To attract Millennials, the key loan product is FHA (or similar low-down payment programs). Last year 38 percent of Millennial home buyers chose an FHA mortgage. Lenders who offer FHA financing should be aggressively marketing and promoting this option to Millennials and their Realtors, builders, and other strategic partners who deal with Millennial buyers.

As difficult as it may be to accept for an aging industry like ours, research shows that during the home-buying process, most Millennials prefer to work with a Realtor and a lender of their own "relative" age. In short, it will be difficult for a 58-year old lender to approach and win the business of a 28-year old home buyer. The industry—and especially hiring managers who run loan production offices—must wake up to this trend and begin to populate their sales force with younger loan officers who can understand, relate to, and work successfully with Millennials.

4. Exploiting a Niche.

Most top-producing mortgage originators in today's market are not generalists, but specialists. They have worked hard to establish a niche for themselves, and have become known not as a jack-of-all-trades, but as a master of one. In a predominately purchase loan market like we have today (and will likely continue to see for the next few years) product and placement will matter more than ever.

For some lenders and loan originators, their niche is based in a specific loan type like USDA loans, jumbo financing, condos, doctor loans, Alt-A non conforming loans, or new construction financing. Other lenders and loan originators target a specific borrower market like veterans, foreign buyers, or a particular ethnic group such as Hispanic or Asian buyers.

While mortgage generalists who work hard to find and take care of their customers will continue to do well in our "new world" of mortgage lending, it's the mortgage specialists who concentrate on a specific niche who will dominate it.

5. A Movement toward Consumer Direct Marketing.

Of all the channels of business available to lenders, the fastest growing is clearly Consumer Direct. More than 16,000 people are choosing a mortgage lender to help them with their home financing every day, and if you're not reaching out to find them, some other lender will.

There are literally hundreds of ways to generate business via this channel: newspaper and magazine advertising, public seminars, direct mail campaigns, involvement and sponsorships at community events, joining networking groups, purchasing mortgage leads, and social media exposure are only a sample of the options lenders have available right now.

This movement is forcing mortgage lenders to stop relying on others to create their customers (Realtors, builders, their bank branches, etc.) and begin creating customers on their own. It means investing the time and money to get recognized in their local markets, and to get the phone to ring.

As Realtor referrals diminish, and as today's self-serve buyers opt to research and locate lenders on their own, the Consumer Direct channel will continue to expand and become even more important to generating business. It has become a "race" to the customer—and whoever gets there first, wins.

Summary

None of these changes we are now seeing constitutes a revolution in our business, but rather an evolution to a new way of doing business. We've seen many changes in the past, and we will continue to see more changes in the future.

The bottom line is this: In this "new world" of mortgage lending, the business is certainly out there. And as always, the bulk of that business will go to the lenders and loan originators who are positioned best...and who are out there going after it.

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Doug Smith is a 35-year banking and mortgage industry veteran, a nationally-acclaimed speaker, author, and sales training expert. Doug has delivered more than 2,000 presentations and workshops for banks, mortgage lenders and industry associations across America. He has published over 300 feature articles in national business magazines and is the author of *Climbing the Ladder of Success* and *Green Zone Selling*.

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