

Tap Into the 83 Percent

Top producers help homeowners build wealth through their homes

By Ernie Graham

By the time an average American reaches 65 years of age, 83 percent of their net worth comes from home equity. The other 17 percent comes from 401k plans, savings and other investments. Many homeowners who hold these well-cushioned “17 percent” accounts have one thing in common: They have a financial adviser.

In a highly competitive housing market and rapidly evolving technological era, mortgage loan originators more than ever need to communicate the wealth potential of a home to their borrowers and help them see past the simple current value. The home is the largest asset that most people will ever own. Unfortunately, homeowners rarely think of their home as an asset, much less as part of their retirement plan, but they should.

Many U.S. taxpayers can recall the cheesy H&R Block commercial that aired a few years ago with the tagline, “Get Your Billion Back America.” It may sound dramatic, but this message rings true in real estate and lending. Much like when it comes to filing taxes, homeowners are terrible at maximizing their home’s wealth potential. The result? They could be leaving more than \$100 billion on the table every year.



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Homeowners have unlimited access to data and information today through the internet. The most important questions aren’t being asked, however, much less answered. So, it falls to mortgage professionals to help their clients understand, and take action to build, the long-term wealth potential of their homes.

A 14-month study conducted in the Denver metropolitan market asked homeowners, “If there was a service that provided you with intelligence to easily build wealth with your home, from what source would you want to receive this service?” The vast majority answered, “My lender or real estate professional.”

They also were asked, “Why these professionals?” Homeowners universally responded, “Because it’s personal.” Although this feedback suggests that any loan originator with relationships can capitalize on this unmet need, the naturals for this challenge will be the educators, entrepreneurs and innovators.

Pros are educators

Top producers are not only qualified and seasoned sales professionals, they often become known in their local sphere as teachers. They have truly perfected the art of helping borrowers move through a transaction with total confidence and earn their degree in “Mortgage 101.” These originators clearly see the opportunity presented by the 83 percent and keep that top of mind.

These leaders and educators are finding multiple ways to engage and re-engage with past and prospective clients regularly. They do everything from holding first-time homebuyer classes for the general public to holding informative webinars for more seasoned buyers as well as financial professionals. They stay up to date on current market trends, hot neighborhoods, changing guidelines and understand what all that data means for their buyers.

In 2017, the debt-to-income ratio for conforming loans changed from 45 percent to 50 percent on conventional Fannie Mae loans. This guideline change had massive implications for buyers nationwide. Recently, the U.S. Department of Veterans Affairs increased the loan limit on VA loans by \$29,000, to \$453,100, except in 220 high-cost counties where the limits are even higher. That has given some veterans life-changing opportunities to buy the home they previously thought they could not afford. Educators track changes like these and are quick to communicate their effects to clients.

Pros are entrepreneurs

When 83 percent of the average homeowners’ wealth comes from their home, every loan originator nationwide has a new opportunity to frame the concept of homeownership and subsequent refinancing, rental opportunities and real estate investing with a fresh message.

These entrepreneurs call to congratulate their clients on the 11 percent increase in value from when they purchased their home. They explain in depth refinancing options whenever possible, breaking down 15-, 25-, and 30-year options. They do their research and they seize opportunities whenever possible.

If a family bought its first home in 2014 and financed it at 4 percent, with a 30-year fixed conventional loan of \$353,759, for example, and today the home value is estimated at \$523,000, that’s a 48 percent increase in value from when it was originally purchased. That family’s net worth has increased by \$169,241, plus the principal paid over the past four years.

This family now has new opportunities to refinance the home and/or the buying power to purchase that beautiful mountain home or income-producing rental property they have been considering. Pending rate fluctuations, a 15-year refinance could mean more than \$100,000 in savings over the life of the loan.

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The entrepreneurial originator is on the call, ready to talk through the options and provide the best possible scenarios for their clients. They are acting as asset managers, helping homeowners navigate all potential options to build their 83 percent retirement fund.

Pros are innovators

Top-producing originators understand that although they can be incredibly unique in their approach to events, marketing and branding, this differentiation has a competitive shelf life. They must constantly embrace change in the form of new innovation to stay on top.

Recent technological advancements in the area of automation allow originators to evolve

their marketing content and the way they communicate to prospective clients within their sphere. The ability to virtually — and meaningfully — communicate with all clients on a regular basis frees up originators to personally engage with the right borrowers at the right time.

Innovators understand that, regardless of the branding, the system or the technology, the end game is to maintain high-quality personal connections and deliver personalized solutions that help clients achieve their goals.



Developing “clients for life” has always been the secret sauce of high-performing mort-

gage originators. Understanding the lifecycle of homeownership and engaging people in their sphere with thoughtful content are the hallmarks of top producers.

As the number of online tools for homeowners and renters explodes, so does the amount of information and products available to them. Originators have an opportunity to maximize each borrower’s wealth by compiling this information into actionable intelligence that leverages the right financial product at the right time. The originators who can efficiently create this intelligence and connect it with their entire sphere will become the next generation of top producers — and redefine the core value proposition of the lending industry. ■