

# The Power of People

## Shifting demographics are changing the face of the mortgage industry

By Tim Ross

**A**t its core, the mortgage industry is not about rates, real estate or regulation — it is about people. And for that reason, if you want to get a sense of what the industry might look like in the future, you must first look at the people who compose it: the homebuyers of tomorrow. Who are these buyers? What are their priorities? What factors will shape those priorities? How can mortgage professionals reach out to and connect with these people?

To answer these questions, bankers and brokers must understand the shifting demographics of first-time homebuyers, the economic factors that will continue to impact their attitude toward homebuying, and the new ways that mortgage companies are attracting millennial buyers through social media and digital marketing. By considering these factors, it's possible to get a sense of not only how the mortgage landscape will evolve, but also what successful mortgage companies will need to do to adapt to those changes and thrive in the years ahead.

### Demographic dynamics

The big news for brokers and bankers looking to the future is the enormous shift that will soon occur in the demographic makeup of homebuyers. A recent report from Harvard University's Joint Center for Housing Studies reveals just how significant this shift will be.

According to the center's study, white non-Hispanics made up about 70 percent of U.S. households as of 2012. The future, however, will look different: The center's study projects minorities to drive 76 percent of net household growth in the next 10 years.

In other words, minorities will be a much more significant factor in the housing market going forward, with the center projecting that minorities will make up nearly half of the first-time homebuyer market in the decade ahead. In addition, this new generation of homebuyers will have more self-employed borrowers and more households with more than one generation living in the same residence.

The implications of this demographic shift are profound. Based on the tight lending regulations in place today, it will be difficult for lenders to serve this new population of housing entrants in an effective manner. To allow lenders to effectively serve the needs of these homebuyers, entities responsible for regulatory reform will need to take additional factors into consideration.

### Millennial malaise

There is no question that the much-discussed millennial generation will be enormously important to the long-term health of the mortgage industry. This is a group that could be, at least by its sheer size, as influential on our economy as the baby boomer generation. In some ways, however, millennials have yet to make their presence felt.

This is predominantly because of financial factors impacting their attitude toward buying. This generation is saddled with inordinate amounts of educational debt, and stymied by an economy that continues to stagnate after years of lackluster performance and sluggish job growth. As a result, many millennials are understandably leery about making long-term purchase decisions related to housing.

Studies back this up; according to a report from the Federal Reserve Bank of New York, 30-year-olds have continued to retreat from the housing market despite the recovery in home prices.

Although many millennials are choosing to delay a home purchase, others are embracing a rent-versus-own philosophy. Today's population is more mobile than ever, and the flexibility of a rental model is appealing to many.

It must be remembered that all of this comes in the context of the continuing impact of a more demanding and comprehensive regulatory regime. For potential young buyers on the fence, rising rates and tough lending standards could be a deciding factor in their decisions — or collective indecision — about buying.

### Getting social

All lenders, regardless of size, will be looking to drive down their costs of production going

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forward. Embracing and leveraging social media to reach a new generation of millennial homebuyers is a strategy that not only promises to achieve that goal, but also can position forward-thinking mortgage companies for success in an increasingly digital and social-media-savvy marketplace.

The cost of customer acquisition and production will go down as social media strategies and sophisticated, new digital-marketing techniques continue to gain traction. Lenders can dramatically expand the size of their online footprint through the strategic use of social media tactics. Mortgage companies that want to remain competitive are going to have to connect with potential customers in this virtual space.

Along those same lines, personal connection is likely to become even more important going forward. As a result, we will likely see the industry continue to shift from a product-driven model to a more customer-driven approach. To succeed, originators will need

to meet people where they are, provide them with valuable information, and use technology to broadcast a message and forge meaningful, lasting connections with potential homebuyers.

### Preparation

What are the implications of these trends for mortgage companies? More specifically, what can they do to start preparing now for the marketplace of tomorrow?

First and foremost, mortgage companies must embrace social media, and they must do it now. That means much more than creating a Facebook page or a Twitter account. Establishing, cultivating and leveraging a social media presence does not just happen overnight. It takes time to get customers' attention, earn their trust and ultimately secure their business.

Another way to integrate new technologies for the purpose of customer connection is to simplify your mortgage processes and make them easier for customers to under-

stand. With new tools, you can move toward optimization, simplification and increased efficiency by incorporating potential homebuyers into the process and making them a part of the transaction.

Finally, before trying to identify potential customers, mortgage companies would be wise to figure out their own professional identities. Although a digital model will undoubtedly be popular with more companies going forward, there will almost certainly be some banks and brokerages that carve out a successful niche by providing more personal, hands-on service and targeting, perhaps, high net-worth individuals. Others may use a combination of technology and personal service to create multi-channel experiences. Whatever the strategy, understanding your own strengths amidst shifting demographics, emerging trends, and the changing face of the mortgage industry will be a pre-requisite for sustained success. ■