# Scoop Your Competition

## To capitalize on the coming purchase boom, originators must learn how to snag consumers directly

By Dale Vermillion

The purchase boom is coming. Are you ready for it? The potential is massive. Three critical factors have converged to set the stage for a strong purchase market for many years to come: the re-emergence of the sell-to-buy market, a surge in new construction and the imminent wave of millennials set to become first-time homebuyers.

So how do you capitalize on one of the most opportunistic purchase markets in history? Here's the key: Do not sell the old-fashioned way by working solely through Realtors. Instead, adopt a sales approach tailored for today's market — rather than yesterday's — and begin marketing directly to consumers. If you want to scoop your competition, you need to go straight to the source: homebuyers.

### Critical factors

The implosion of property values from June 2006 to November 2010, which led to a 26 percent drop in nationwide values — the biggest drop in history — resulted in a large portion of U.S. homes going "underwater." The result was a non-existent sell-to-buy market for more than five years. In the past

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**Dale Vermillion** is president of Mortgage Champions. A 32-year mortgage veteran with 20 years' experience as an industry-leading trainer, speaker and consultant, Vermillion has trained more than 300 lenders and 1 million mortgage professionals. He is the proud author of *Navigating the Mortgage Maze*, and founded Mortgage Professionals Providing Hope, a nonprofit organization that leverages mortgage industry resources to change the world, one life at time. Learn more at dalevermillion.com. Reach Vermillion at (888) 824-3343.

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four years, however, the market has recaptured much of those lost values, so sell-to-buy is once again alive and well.

The 2007-12 market also saw a large drop in new construction starts, resulting in a plunge in inventory. The past few years have seen a surge in new, single-family-home construction, increasing from 431,000 starts in 2011 to 647,000 in 2014, a 50 percent increase in just three years. The new housing inventory has almost doubled in a market where daily expectations of rate hikes have buyers motivated to buy before rates go up.

Of greatest interest to a purchase market, however, are first-time buyers. This segment was nearly nonexistent for more than 10 years because of a combination of factors: high property values in the pre-2007 bubble years, poor economic factors in the 2007-12 recession years and the lag in millennials acquiring jobs and assets. Many now anticipate a strong surge of activity as millennials begin reaching prime homebuying ages and unemployment continues to drop within this group. Millennials now represent 75.3 million people, overtaking the baby boomer generations' 74.9 million, and outnumbering Gen Xers by almost 14 percent. With demography in their favor, there's little doubt the housing market can look forward to decades of millennial activity.

All of these factors lead to one powerful truth: Inventory and buyers will no longer be an issue. Combine that with historically low interest rates and you have the formula needed for a "bullish" purchase market for many years to come. So if you're not already in the purchase market, you'd better get in now.

## Selling to consumers

With these opportunities available, the only question is: What are the keys to building a highly successful mortgage platform to tap into the coming purchase market? One option is to implement a lead-based, consumer-direct sales approach.

The days of just going after Realtors to build a purchase platform are going away. That's not to say if you already have a successful third-party platform that you should abandon it — don't. Simply optimize your platform for maximum success. But if you're not currently in the purchase market, you should be. And if you are in the Realtor-generated segment of the market, you should supplement and augment your production with consumer-direct purchase leads.

There are so many competitors in the market already — with more entering daily, including companies with massive financial, technological and product resources to wow Realtors — that originators entering the purchase market will need an edge. Adding a consumer-direct channel to go directly after homebuyers, instead of finding them indirectly through Realtors, can help you capitalize on the purchase boom while avoiding competition with deeper pockets.

The benefits of adding consumer-direct leads are many. First, capturing borrower commitments without relying on Realtors generates consumer loyalty directly to you and your company rather than to Realtors. Second, by working directly with consumers you can capture two Realtors through the back door. As a result, you can build a loan and Realtor-referral pipeline that moves in both directions — an incredible one-two punch. Best of all, you can stop Realtors from "unhooking" you, which ultimately costs more purchase deals than any other issue. No Realtor will unhook a lender that's offering to send them business.

The easiest and fastest way to start a consumer-direct channel is to add aggregate-purchase leads to your lead-generation portfolio in addition to marketing to past clients. This great resource offers high-quality purchase leads that allow you to segment demographics for optimal lead types, whether pre-qualified or full-blown purchase. Adding aggregate-purchase leads from a reputable vendor is, without doubt, the best way to tap into the purchase market while building loan and Realtor-referral pipelines.

## Maximizing Realtor referrals

If you currently work with Realtors, or want to expand your Realtor referral base before the purchase boom, here are some suggestions for retooling and revamping your approach to maximize the number of actionable referrals you receive:

- **Re-evaluate your partnerships.** The squeaky wheel gets the grease, so sometimes your most time-consuming referral partners are the lowest-converting, even if their production is good. You should evaluate your partners quarterly by looking at the value each brings to the table — not just production, but also conversion rates, time spent, quality of referrals, ease to work with and more. Once evaluated, categorize your sources into platinum, gold and silver tiers based on potential, not production.
- **Redefine your partnerships.** After re-evaluating, meet with your referral partners to discuss what is working and what is not, addressing needs and wants. Then, determine what must change on both sides to maximize the partnership. Changes can include adjustments or enhancements to service, products, technology, marketing or communication. Throughout the process, be specific and flexible.
- **Re-establish your partnerships.** The third step in the process is to re-establish your relationships by focusing on ways to enhance your partners' incomes, which should automatically enhance yours as well. When you contact a partner, don't just focus on getting new customer referrals. Instead, expand your partner's potential by providing internal and external referrals, such as colleagues and peers.
- **Expand your sources.** Finally, don't stop at Realtors. Attorneys, CPAs, financial planners and many other professionals can provide purchase-market referrals.

## Selling on service

The final issue you must address in preparing for the purchase boom is service. Maybe the biggest mistake loan officers make is being too price- and product-driven and relying on operations teams to carry out transactions. What borrowers and Realtors ultimately care

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about is closing the deal. Therefore, service — which starts with the originator — is paramount to the success of the transaction.

If given the choice between a loan officer with a proven service track record and a company that is an eighth of a point lower in price, many buyers will choose the more expensive company every time. Why? Because a blown approval or missed closing date costs much more than an eighth of a point, which is only $7 per $100,000 at a 4 percent rate.

You must make service your highest priority. To communicate service, build a powerful opening presentation that focuses on your five Es:

1. **Experience:** Your credentials and accolades;
2. **Ease:** The simplicity of your process;
3. **Efficiency:** The speed of your process;
4. **Emphasis:** Your commitment to contract dates; and
5. **Enhancements:** Your Realtor and builder networks, as well as discounts and offerings.

## Others-first mentality

There is one more E-word that consumers and Realtors care about: education (or advocacy). An advocate is someone who advises and protects clients, someone who puts borrowers first, someone who practices an others-first mentality. Simply put, this means putting others before ourselves.

Today's borrowers have access to all kinds of information — too much, in fact. Sadly, this information often confuses rather than clarifies. Many consumers simply don't know how to distinguish between good information and bad, so borrowers need an advocate — someone who not only disseminates information, but educates on how to leverage that information to make the best possible decision when purchasing a home.

By educating your borrowers, you help them make sound financial decisions that work for them. Don't just guide clients to the right products and programs, but advocate the right payment, downpayment, loan structure, tax benefits and more for them.

By practicing an others-first approach, you will become that rare breed of loan officer who is an advocate, confidante and trusted adviser. Not only will you close deals, you'll build loyalty that will lead to future repeat and referral business, which will put you in the best possible position to take advantage of the coming purchase boom. ■