Make the Perfect Match for Your Borrowers

Marketing and properties must be tailored to members of different generations

By Becky Walzak

Illustration by Dennis Wunsch

Everyone in the mortgage industry has heard it: The millennials are coming. This is the generation of 80 million individuals born between 1980 and 2000, but unlike the baby-boomer generation, millennials don't seem to be rushing to settle down, have a family or buy a house.

There are a lot of explanations for this lifestyle choice. Millennials are overburdened with student loan debt. They are delaying growing up and want to spend more time discovering who they are. They are more interested in causes that take up all of their free time. They want to live in areas that have more activities focused on them, and they are prepared to change jobs frequently. So although members of the baby-boom generation were house shopping in their 20s, many millennials are waiting until they reach their 30s.

The good news is that many millennials are now in their 30s, with many more approaching that age soon. Consequently, a growing number of millennials may be ready to flex their spending muscles and join the homebuying ranks. This is promising for the mortgage industry, but millennials are not the only population segment the industry should be focusing on going forward. Baby boomers are now in the throes of retirement, with more and more of them deciding to either downsize or find a second home where they can enjoy the fruits of their past labors.

Although the number of people looking for mortgages is growing, the methods used to reach them can vary drastically. Each of these populations of potential borrowers has a different comfort level in adopting the technologies that are so prevalent today.

The right approach

Many millennials are comfortable with technology advances and are eager for you to use these tools. They would rather receive text messages and tweets than spend time talking on the phone. Baby boomers have a wide

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range of familiarity with technology but are often hesitant to allow their information to be shared digitally and online.

Determining what approaches will work with whom is not as easy as it sounds. Many companies today have social media marketers who specialize in identifying what type of media is most effective with individual populations of potential borrowers.

Millennials are aware that data about them is readily available online, and therefore want messages personalized to them. For example, millennials would expect a message that began with their name and also provided them with some information relevant to their lives — such as how their growing family may need a larger home. After this initial introduction, many millennial prospects would feel like you know them already and would be more likely to follow up with you.

Millennials also depend quite frequently on their parents, or other trusted figures, for advice and direction. With a decision as big as a mortgage, they will likely want an individual to provide direction on what type of loan they should apply for and guidance on what it means to them financially. Originators who are knowledgeable about different products and how they may change over time, who can explain how servicing works, and maybe even those who have a little gray hair, are more likely to appeal to these individuals.

Baby boomers, on the other hand, are less likely to respond to a first contact that involves a highly personalized message. In fact, such a message may result in angry clients calling to ask how you got their information and accusing you of violating their privacy. Furthermore, many of these individuals are probably looking at buying their second, third or fourth property and consider themselves savvy customers.

Many boomers may hesitate to complete an application online, or to provide information that an originator can use to prepare one for internal use. They may want to meet with an originator more often as well, because they are accustomed to doing business face to face.

The right location

Many millennials are used to having everything they need close to where they live. They are averse to spending hours a day commuting to jobs in the city from a distant suburb. Many are looking for homes that keep their commute quick and easy. They also want to remain close to restaurants, shops and entertainment. Many baby boomers evidently feel the same, as they move from their single-family homes into cities and communities that have the amenities they are seeking to accommodate their lifestyles.

In response to this, developers are building condominiums with retail space on the first floor and living units on the floors above, for example. These developments also include public transportation opportunities nearby, as well as services such as child care.

To offer prospects financing options for these developments, originators should be aware of the property requirements for these types of condo communities, as well as how to work through nonwarrantable condominiums — those not meeting Fannie Mae and Freddie Mac's eligibility standards — to prevent having the loan denied. Having specific knowledge about the value and financing available for these types of homes will go a long way in assisting potential borrowers.

In addition to these new communities, buyers also are looking for older properties. Individuals, particularly baby boomers who are not accustomed to homeowner-association rules or having neighbors so close, are looking for older, single-family properties, many of which are located within a city or a nearby suburb. In the retirement haven of southern Florida, many communities with access to golf courses and beaches are being purchased, torn down and replaced with modern homes. Again, originators should be familiar with all financing aspects of purchasing these properties to avoid any potential problems.

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Although it is important for you to know and understand the potential borrowers who will seek financing in the future, it also is important to make sure that your staff is educated. Processors or other staff members who do not understand issues relating to these populations could inadvertently cause a problem with a client. Furthermore, if staff members are unfamiliar with products or property issues, a pre-approval may be forthcoming that is not acceptable to the borrower for whom it is intended.

The immediate future looks bright for originators. The success or failure of each individual, however, will depend on how well they understand their clients as well as the products and processes they have available to offer clients. ■