

Help Clients Look Beyond the Loan

By refocusing the discussion you have with your customers, you can create more profit

By **Howard Bono**, owner, Old West Mortgage

THE SLOWING OF THE MORTGAGE industry likely has affected all our businesses. Even if you are getting the same amount of leads, the number you are converting into transactions is probably less. To do the same amount of business as you have in the past — or better yet, more business — you must make some changes.

Two solutions are to talk to more people and to work on converting more existing leads into loans. Working with what you've got — your existing leads — will help you in two ways. First, it will help increase your bottom line in the short term when new leads are harder to come by. Second, it will help you down the road when leads aren't so scarce.

Review the basics

Before devising a strategy that will net positive results, it helps to consider the top three issues that lead to fewer closed loans from your current leads:

1. Rates: The biggest change in interest rates recently has come in the Alt-A and nonprime sectors, which make up a good portion of business for many originators. The rate changes alone are affecting our ability to close some loans.

2. Guidelines: It is now more difficult to get clients to fit into Alt-A and nonprime programs for which they may have qualified in the past. As mortgage-default rates increase, investors

adjust the lending requirements for credit scores, loan-to-value limits and cash reserves. And some programs have been eliminated altogether. These changes are designed to make sure that a smaller percentage of loans go into default later.

3. Competition: Many originators who are trying to break in or stay in the industry will do anything just for a chance to talk to another potential client. In a competitive environment, people and companies often take the simplest approach and advertise lower rates and fees to attract the public's attention.

Change the discussion

Individual mortgage originators cannot change the course that the industry is taking. We can take what we have and determine a way to create success within that framework, however.

To start, change the discussion you have with your clients, and move beyond rates, fees and lending requirements. Your new discussion must be about clients' overall financial picture.

Ask your borrowers questions such as: Are you getting by each month, or are you running up your credit cards to make ends meet? Are you saving any money, or can you only fix your car if you borrow more money? How much are you paying in taxes? Is your debt structured correctly?

Changing the discussion with your clients will separate you from the others who are merely doing loans. It will put you into the realm of the trusted adviser.

You likely will get many basic questions from clients. They may ask anything from, "What type of loan is best for me?" to, "How will this purchase affect my taxes?" to even, "Do you know a plumber?"

Most of the questions clients will ask are pretty straightforward. If you don't know the answers to the less-common ones, it's no big deal. If you don't know the answers to the ones you should, however, it could cost you the deal. You must be prepared, and that means you have to become a student of your craft.

Know your stuff

Start by focusing your attention on the following areas:

■ **Loan programs:** The first thing you should know is what types of programs your company offers and the lenders that provide them. This may seem elementary, but you would be surprised at how many people don't know this.

To start, read the rate sheets. You will find most of what you need to know there. You don't have to commit all of it to memory, but the more you know, the more of an expert you become.

■ **Taxes:** You don't need to be able to prepare a tax return, but you should understand how the purchase of a house, a second home or an investment property affects an individual's taxes. Be able to explain what is deductible and help clients restructure debt to make more sense from the tax perspective.

To master this area, start by meeting with your tax professional. And although being informed about taxes is important, always explain to your clients that you are not a tax professional or a certified public accountant (unless you are). Let them know that you understand a portion of the tax code but that they should always verify the information with a tax professional.

■ **Legal issues:** The legal questions you will get will mostly be about transferring property and title issues. When it comes to rentals, people may ask you if they should put the property in a trust or a limited liability company. Again, always be sure to tell your clients that you are not a lawyer.

This is a great opportunity to set up referral partnerships with attorneys. For instance, you can gather a group of clients interested in owning rental property and bring in a lawyer to talk to them. The attorney often will do it for free. This will help you build a professional relationship. Another referring relationship is always helpful in building your mortgage business.

By changing the discussion you are having with your clients, you can provide a service they cannot get anywhere else. This not only will set you apart from the competition, but it also will help you develop trusting relationships. Along with that comes a much easier path to growing your business and your income. **!**



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