

Special Report

"HOW TO SUBSTANTIALLY INCREASE YOUR PRODUCTION IN 30 DAYS"

by

John Barrett

As someone in the marketplace competing for mortgage loan originations (in our shop, we call this practitioner an "Originator") you face many challenges. I've done it -- I know. And things aren't getting any easier, you can be sure. Let's face it, competition is mind-boggling; markets now swing at hurricane-speeds; technology is shaking every root, trunk, branch, and leaf in our industry; products today will be gone tomorrow, and replaced by a barrage of new ones; and, *the customer* has moved from "king" to a much higher throne. Challenging? You bet it is! Yet, year in and year out, good markets and bad, certain Originators do incredibly well. Why? Well, that's the ever-elusive question, and anyone who can come up with all the answers stands to be richer than Bill Gates. This Special Report is not all the answers, but it certainly will give you some insights. I think it's worth reading.

First, let's talk about me. I know I'm not supposed to do this, but you're very busy, and before I ask for your time, you have to feel it's going to be a good investment. That will be a function of what I have to offer, and what I have to offer is many years of production experience, and perhaps some "wisdom" that has grown from it.

Briefly, I've been a mortgage lender for 25-plus years. I was a top-producer for a national company, and one of the youngest they had ever promoted to Assistant Vice President / Branch Manager. I opened my own company in 1980, and learned a lot about struggle ... I've closed FHA and VA loans at 17%. Over the years, I've trained a lot of Originators, and have beaten the "80/20" rule consistently. That's not to say I haven't seen many hopefuls completely fry, but I've had the good fortune of seeing many rise to significant heights in the industry. While these "stars" deserve most of the credit, I'd like to think I made a few contributions. With this record, I've been asked to speak at many national conventions; served on the Editorial Board of Mortgage Originator Magazine; have been on the "Friends" and "Executive" Boards of a Public Broadcasting Station; and, frankly, have made a damn good living in this business.

Here's what I've learned ...

Don't get in the mortgage biz unless you can tolerate change. If your tummy can't deal with constant change, this game isn't for you. What change does to you has tons to do with what tools and supports you have under you. This is an important concept we'll talk about later.

There's no "right" gene-pool that guarantees success in this industry. Even today, knowing what I know, if you put me in a room of 100 Originator-aspirants and asked me to pick the 10 who will become roaring successes, I'll foul-out more than I'll hit the ball. You don't know how many times I've said, "he/she won't make it," and then they set records. And conversely, "this one will be the next god/goddess of lending," and then toasts the next morning. What I'm really saying is "nurture" has a lot more to do with success than "nature."

Don't confuse genius with a bull-market. It's one thing to be successful when the fish are jumping in the boat, and quite a different thing to remain successful when they're not. So what makes the distinction? Supports, nurture, and of course, the sheer will-power, energy and commitment of the Originator. Summarily, in good times and bad, you have to work hard and smart. Is it worth it? My "boutique" company has issued many year-to-date checks to Originators showing multiple 6-figure personal earnings. In my mind, that's pretty worth it.

If you're this far, I'll presume you're not threatened by change, and you believe "great producers" are made, not born.

Let's build the perfect mortgage company ... which should breed the perfect Originator. Right, John. Okay, we both know better. There's no "perfect," and there never will be. But there are certain predictive "ingredients," and that's what should be important to you if you're completely committed to long term, no-matter-the-market, success.

So what are they? Basically three things: Product, Price and Performance. Let's dissect all three:

PRODUCT

You'd be amazed how often I hear owners, managers and producers say, "I'm a 'Fannie Mae' ... or 'Government' ... or 'B/C' ... or '2nd Mortgage' ... lender." Not! In today's and tomorrow's markets, to compete and thrive, you have to be a "Mortgage Lender," i.e., do it all. This requires two things: A company that provides all products, and broad Originator skills to distribute them.

The only way a company can provide "all products" is, first, be inclined to do so (and many aren't), and second, be willing to sell its loans to Investors. Any company that is building a "servicing portfolio" ... or what we call a "captive lender" ... is going to be motivated to sell only those products that will build its portfolio. This implies restrictions, and these restrictions can result in lost opportunities for Originators. The other side of the coin is a company that sells all loans *service-released* to a broad continuum of Investors, or what we call "non-captive." My view is the most strategic positioning for an Originator, and the consumer, is non-captive. And this is something you have to watch out for, 'cause lots of captive lenders tell recruits they can "sell out of the portfolio," and then once they're in the saddle, there's lots of pressure to sell into it.

So what should be the product mix? Generically:

- Conforming "Prime" First-Mortgage Conventional
- Sub-Prime (i.e., A-) First-Mortgage Conventional
- Fixed, ARM, Re-Hab Residential First Mortgages
- Fixed Residential First Mortgages
- Sub-Prime "B/C" First Mortgage; Non-Conforming "Jumbo"; Niche, e.g., Log Homes, etc.
- Hard Money
- Construction Loans
- Prime 2nd's, Closed and Open-Ended
- High-LTV 2nd's, Closed-Ended

It's beyond the scope of this Report to go into the *gazillion* individual products these markets offer, but I believe strongly that if you don't have unobstructed access to these "generic" arenas, your wagon is somewhat empty, and as the old saying goes, "You can't sell from an wagon."

PRICE

In 1997, Weston Edwards & Associates, a highly-respected real estate industry think-tank, released its comprehensive study titled, "One-Stop Shopping for the Homebuyer." It discovered a lot about the very most important component of the mortgage lending equation ... the customer. Now the study is hundreds of pages long, but the following pretty much tells the most compelling story:

"... it is evident that when the homebuyer is choosing a lender independently he or she predominantly makes the choice based on price."

Ouch! You mean my reputation, skills, relationship, pretty office, and logo don't really mean anything?

Here's an answer:

An exhaustive consumer research study conducted by the StratMor Group, the "trends" advisory body to the Mortgage Bankers Association of America, determined the consumer's perception is, "Any mortgage company is okay as long as the check is good." This speaks firmly to the view that the mortgage loan product has become a commodity.

Yep ... your reputation, skills, relationship, pretty office, and logo mean a lot ... as long as your price is right.

Okay, those of us who do this thing know there's a bunch more that goes into a loan than just the price. We can't ignore how important competitive pricing is, and pricing will not remain competitive if it's not flexible. Let's talk about this concept.

Lenders do things all sorts of ways, but if they're going to do it for long, they have to buy money at one price and sell it at a better price. Who decides what the money will be bought at, and sold at, has grundles to do with how competitive an Originator will be in the marketplace. Generally, "captive" lenders tell the Originator what pricing will be, and "non-captive" lenders empower the Originator with this decision. It is my personal opinion that the ultimate decision-maker with respect to pricing needs to be as close to the "point-of-sale" as possible, and in our world, that's the Originator. In this world, an Originator should rarely have to surrender a loan opportunity over price.

PERFORMANCE

Now we're going to get in the trenches of producing ...

1. How to get business.
2. What to do when you do get business.
3. Getting paid on the business you do.
4. How to get more business.

The above is the "Circle of Life" for an Originator ... all four must operate harmoniously and effectively or the *wheel* won't move you to long-term success.

Now there are two ways to get business in this business: (1) You get it ("Direct-Sales"); or, (2) you rely on someone else to get it ("Dependent-Sales"). We know *marketing* is the largest cost in our industry, and the biggest risk. Those willing to take this risk should be rewarded with the greatest potential for gain. This Report is intended for those who build their own book of business ... the Direct-Sales professional.

Back to getting business ... you may think me too simplistic, but it really boils down to one thing: Passionate Prospecting Pays! Those who excel in this industry prospect always; those who don't, don't. For 25 years I've never seen a "production problem," but I've seen lots of prospecting problems. Are "passionate prospectors" born? Perhaps a bit, but for the most part it is a learned, developed and promoted skill. And on this note, any company wanting the best out of its Originators needs to have systems in place that respond to "call reluctance." In summary, if you prospect, you will get business. Of course, knowing "who, what, when, where, how, and why" to prospect is an art and a science, and it's always more effective if it's driven by a formal, and tested "Marketing Plan." You'd be surprised how many companies and Originators don't have such a Plan, which should address:

- Targeting
- Filtering
- Database Development / CMIS
- Pre-Approach
- Approach
- Presentation
- Affirmation
- Closing
- Embellishment
- Continuity

Okay, so your Marketing Plan, and "passionate prospecting," produced a loan. Now what?

All the marketing anyone can do is flushed down the drain if your client doesn't get awesome service ... "WOW! Service." The big producers in this business get that way because of referrals. A "condition precedent" of referrals is regularly, consistently and flawlessly providing awesome service. And of course, asking for them!

"WOW! Service" comes from three things: A philosophy; a commitment; and, a system. In today's world of mortgage lending, there can only be one philosophy: Constant, never-ending improvement, or you're out of business. If every member of your team isn't in tune with this, your competitors are eating your lunch. And there are some mighty aggressive, sophisticated, and talented competitors out there, and many of them didn't know a thing about the mortgage industry twelve months ago. I'm often surprised how many Originators I talk to tell me the attitude of their company is, "as we've always done things." You can be sure the way we deliver mortgage loans tomorrow isn't going to look anything like the way we do it today.

The systems that produce "WOW? Service" are built from the following components: training, skills, technology, and control. Let's chat about each.

When I started in this business, I had to learn an FHA and VA loan. Today, it seems I have to learn a loan every ten minutes. My point ... things are changing so fast, and have become so complicated, that "training" is one of the most important investments a company can make in its people. And you know what -- most companies spend very, very little on this investment. It is not uncommon the lender's training program is, "you're hired, here're your cards ... good luck!" If you look inside the walls of your office, and don't see the seeds for a "University of Mortgage Lending," your chances of winning the race are depreciating. Training needs to be a real, on-going, researched, and implemented feature of your business. Lawyers do it, CPAs do it, doctors do it ... you need to do it. The way you develop professional skills is through training, then experience, then more training. Customers expect exceptional service ... it's "skill" that provides it. So what skills?

The top-producers I've known are, first, extraordinary prospectors. Next, they "ask for the order." All they do is focused on building things that will create "Customers for Life" relationships ... they view mortgage lending as a "Professional Career," and not just another strike-while-the-iron-is-red-hot re-fi boom. All long-term top-producers get a big buzz from helping people achieve their goals. They know the "scripture and verse" of this industry pretty well, but they "know who to ask" exceptionally well. They always under-promise and over-deliver. They, and their staff, all make big mistakes, and when they do, the Originator takes the blame on his or her own shoulder and steps up to the plate immediately to resolve the problem, i.e., they don't run from conflict, but instead, hit it head on to resolve it. Top-producers align themselves with top Processors, and are conscientious about rewarding them for outstanding performance. Most of these Originators are pretty sophisticated with pre-qualification and processing software systems; they realize computers are to an Originator what a stethoscope is to a doctor. They all go through *call-reluctance* and *burnout*, but they are very adept at integrating things into their lives that enable them to rise above these obstacles. Finally, top-producers love to live well, and know this business can provide time, creative and financial freedoms rarely found in today's world of industry ... and they're very appreciative of these potentials.

Make no mistake about it, your production engine won't run very well unless you have state-of-the-science (and art) communications and computer technologies in place. This is as broad as it is deep, but here's the minimum an Originator needs today to be truly in the race:

- Mobile Phone with "Forwarding"
- Voice Mail (DID)
- Fax (preferably "Dedicated")
- Internet
- E-Mail
- Personal Computer (PC) and/or Laptop
- Laser Printer
- Desktop Publishing
- CMIS
- Presentation Systems (Slideshows, Voicing, Overhead, Laptop Projector)
- Pre-Qualification, Processing, Closing, and Tracking Software
- Automated Underwriting

In summary, these technologies are what enable you to provide "Wow! Service."

And now about "control." Suffice it to say, the more ropes you hold, the more likely you'll have a happy customer. Those who win "Customers for Life" are those who consistently minimize breakdowns. Take this little test ... it's not scientific, but it will give some idea of your "grade" when it comes to having the supports in place to market effectively and provide "Wow! Service":

Do I have regular and on-going training in the "principles and practices" of mortgage lending?

Do I determine whom I call on?

Do I have marketing and origination supports?

Do I design how I market myself, my products and my services?

Do I have access to leading-edge marketing technologies, e.g., "Consumer-Direct," "Direct-Response," "Wave"?

Do I have all components of "state-of-the-science" communications systems?

Do I have “state-of-the-science” computer and loan origination software systems?

Do I determine how and when I originate loans?

Do I have non-captive access to the secondary markets?

Do I have FHA and VA?

Do I decide the pricing of my loans?

Do I have access to automated underwriting systems (AUS), e.g., DO, LP?

Do I get systematic feedback on performance from my clients?

Do I orchestrate continuity campaigns?

Count up the “Yes” column and divide by 14. If your score is less than 90% ... an “A” ... it’s time to go to work on some re-structuring.

So a loan has closed. Let’s all celebrate, ‘cause it’s payday! And what should that payday be? In today’s market, you hear all kinds of things about “compensation formulas,” and some of them not only seem too good to be true, but when the passion of the moment settles, they are. And if you think you’re going to improve your split by opening your own company, well ... @\$%!.

It’s beyond the scope of this Report to talk about all the challenges, essential ingredients, and variations that go into Originator commission plans, but a few concepts are worth addressing:

Revenue is a finite resource in all business enterprises, and can only be split so many ways. Every business has to make payroll, cover its operating expenses, and reward its “shareholders” for the risks they take investing in the business. If these three things are missing, sooner or later the weight of the imbalances will cause the house to tumble. Have there been any mergers in mortgage lending lately? Merger-mania is a function of fractured balances in these three essential ingredients. When you see that a 100% pie has to be sliced a 120 ways, be cautious.

Commissions are inversely related to services. As support goes up, commission percentages go down. A primary tenet in this business is, “it’s not how high you go, but how long you last,” which speaks to those super-novas that come on the scene only to burst from burn-out, versus those that invest in support so they “last.”

Well, we’ve talked about a lot, and I could go on for hours. The promise of this Report was to identify some concepts, tools and implementations that will enable you to increase your production. I’m hoping you feel this has been achieved. Let’s summarize:

Be ready, willing and able to change.

“Nurture” has more to do with success than “nature.”

There’s no doing away with working hard and smart.

Offer all generic mortgage lending products on a non-captive basis.

Passionately prospect.

Construct and deploy a systematic Marketing Plan.

Control product pricing.

WOW! Service.

Hold as many ropes of loan processing as possible.

Automated underwriting.

Control and attend the closing.

Under-promise and over-deliver.

"Professional Career" and "Customers for Life" commitment.

Last long by investing in support services.

Never-ending training and improvement.

Have fun ... make a lot of money!

Thanks for ordering this Report, and being part of this incredible industry that helps people achieve one of the most important things in life ... homeownership!