

What Do We Do When The Party's Over?

Chip Cummings, CMC



It's been a good run. We've set interest rate records, loan volume records, overtime records, and well surpassed the limit for the number of allowable Tylenol tablets per day – many times.

So as the lights start to go out on this incredible refi-mania run, how many originators, brokers and owners have *really* thought about what lies ahead? – And more importantly, what to do about it.

The numbers don't lie – even if you're an optimistic optimist. As an industry, we can't continue to produce the kinds of volume we've seen over the past two years. Fannie Mae estimates loan originations to drop as much as 50% to \$1.7 trillion for next year, with maybe 50% of that coming from the refinance market. Compare that to an estimated origination volume of \$3.4 trillion or so for this year, with as high as 70% coming from the refi-ers, and basic math skills show that we're in for a major double-digit drop.

To top it off, we have practically doubled the industry workforce in the marketplace. Companies have already started to make adjustments, as big names like e-Trade, DiTech, Wa-Mu and others start to scale back their forces. But what does this mean for the smaller broker shop and loan originators? Better question is - how do I take advantage of this opportunity?

Don't Be Average

First rule is – don't be average! As President of the Michigan Mortgage Brokers Association, and a national speaker and trainer, I have had the opportunity to visit with thousands of originators over the past year. Unfortunately, many of them are so busy just answering the phone, that they're missing the big picture. After the great run we've just experienced, many originators will be destined to go after the “general” market, trying to capture any loan that comes their way. The numbers dictate that this will be a catastrophe for many – you have twice as many people going after maybe 70-75% of the same volume pie. Many will simply go hungry and die off.

Instead of being a typical “average” originator, think about becoming a true specialist in your marketplace. Customers will start to demand and seek out specialists who understand their unique needs and situations, and they will be far less likely to rate and price shop. They will want experts, and won't mind paying a fair price for the specialized service.

Investors and wholesalers understand this, and have gone after specialty markets for a long time. They typically specialize in one or two particular products, such as No-Income-No-Asset loans, but will be the first to tell you not to come to them for a conforming 30-yr fixed! So where should you start to focus your energy? Well here is a step-by-step guide for establishing yourself as the local specialist in your market.

Developing A Personal Strategy

1. Decide what specialty you want to attack. Look at your background and interests – did you previously work in the insurance industry? Are you a volunteer firefighter? Tackle a market you know a lot about, and that you enjoy working with. Look into areas like the entertainment market (sports, music, theatre, etc.), doctors, attorneys, construction lending, first-time homebuyers, or a specific geographic area such as a resort. Make it large enough so you can reach a good audience, but small enough to be able to clearly define.
2. Go where they go. Make yourself visible and accessible within that market. Join their associations, go to meetings, read newsletters and write articles targeted at that audience, and learn everything you can about their world. This will help you better understand their financing needs, and allow them to feel comfortable with you as an experienced specialist. Remember that people only do business with people they trust, and only trust people that they like and can relate to.
3. Market yourself in their world. Don't just expect them to come to you - create an on-line and off-line presence that reaches them in unique ways. In the off-line world, use small ads in specific industry newsletters, magazines or trade publications. This is less expensive than traditional advertising, and is highly targeted to your specific audience. Direct this traffic to automated response systems in explained in steps 4-6.

For on-line marketing, use specific searches to locate “keywords” that your target group hits regularly. Find these by using the on-line Overture search tool by going to <http://www.content.overture.com/d/USm/adcenter/tools/index.jhtml> and looking under the “term suggestion tool”. Enter words that match your target market to evaluate the number of internet searches on a monthly basis. This tells you where your market is spending time on-line! Use these search statistics to purchase specific “ad-words” that direct your target market directly to you whenever they are using the Internet. Develop links to affiliate sites that are regularly visited by your target market. You are not specifically looking to sell them your services on the spot, but rather to capture the name and contact information of the members within your target group.

4. Create informative electronic reports for your target market. Not just about you and your products, but the things that THEY care about and want to know. Combine your professional experience with their niche group information. Include customer testimonials, specific examples, and your credentials as a specialist. For example, you could create a report on establishing a budget or understanding credit reports for a first-time homebuyer. If your target group is specialized, like doctors - develop a report which includes published articles or statistics on effectively managing a growing medical practice, and include examples of how you can assist self-employed medical professionals to properly finance their new home. If you would like a sample report that I have used which illustrates this technique, just e-mail me at 1103report@northwindfinancial.com.

5. Keep in touch with them. Create automated e-mail systems (autoresponders) to keep them abreast of specific industry and personalized information. Remember that our industry is a “moving parade”, and the market for our products completely changes every 30-60 days. You cannot sell to them - you need to be in the right place at the right time with the right solution when they are ready to buy. You don’t know if that will be 2 months or 2 years from now, but you’ll never know if you give up on them just before they are ready to make a move.
6. Create an e-zine that reflects your specialized knowledge within that target group. An e-zine is an electronic newsletter that provides timely and specific information to your niche market. People like to get quick, relevant news that reflects their interests or profession.
7. Be prepared to service your target group with affiliated services and product recommendations with joint venture partners. This not only opens the door to new referrals from other professionals within your target groups’ market, but enhances your professional credibility as a well-rounded specialist to that market.
8. Under-promise and over-deliver. While this sounds simple and basic, this is where the average originator falls short. Develop a solid *written* plan within your operation of EXACTLY how you deliver the customer experience. Don’t leave out any details, and make sure that every member of your team reads it, understands it, supports it, and breathes it! If not, all your efforts will have been in vain – word will spread fast within your specialized market, both positively and negatively.

In addition, make sure you participate and become active in your state association, local chamber of commerce, and other business networking groups. My best friends and advisors are other originators and business owners – many of them so-called “competitors!” Take advantage of educational offerings and “coaching” opportunities, similar to my e-Marketing Coaching Club that provides tele-conferences to discuss current marketing strategies.

There will be far too many “general practitioners” in this industry a year from now, but the top producers know exactly what their niche is, and how to reach it. Don’t try to be like the carpenter that can do it all.... tries to fix the plumbing, electrical, and install the countertops – after putting in the furnace. Become known as the absolute specialist within your niche market, and watch the profits follow.

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