THE FOUR BIGGEST FLAWS

IN MORTGAGE SALES & HOW TO FIX THEM

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1 "THE FIRST AND BIGGEST FLAW THAT I SEE IN MOST MORTGAGE ORGANIZATIONS IS THAT THEY ARE FOCUSED ON SELLING MORTGAGES. UNFORTUNATELY, SELLING MORTGAGES IS VERY DIFFICULT."

It's a universal law that the riskier the buying decision, the harder it is to make that decision. For instance, if you were shopping for a book bag that costs $40 you would look at the ones on the shelf and make a decision. You don't stress about that decision because if you don't like the way it feels or it doesn't carry enough stuff, you can just return it or get another: No risk + no stress = easy decision. Now imagine that the same book bag cost $400 and there was an "all sales are final" sign. That would definitely change the ease of that decision and likely lead to comparative shopping, reading reviews and a longer buying cycle.

Now consider a Mortgage. For most people, it is their single biggest monthly expense. Their house is their largest asset and liability at the same time, and frankly, it's *HOME*. They are emotionally attached to it. Given that dynamic, how risky is doing anything with your mortgage? One could argue the riskiest decision they could make is to change the status quo of their mortgage. Therefore, the presumption by loan officers and organizations to fight this battle before they've discovered the homeowner's problems, needs and wants is the equivalent of running across the battlefield in WWI: It's simply a war of attrition. While not optimal, this can work when there are plenty of soldiers (consumers) but doesn't work very well when that changes (market conditions deplete consumers).

HOW TO FIX THIS FLAW…

The good news is that it doesn't matter what market conditions are if you have a **solid sales process**. You will still outperform the market and you can easily remove the risk from the process. While refinancing is a risky proposition, getting an analysis of what is potentially available has zero risk for the consumer and a great deal of potential upside, if properly articulated. Therefore, companies should present the *analysis* (or diagnosis) as the proposition, not the refinance. The refinance is the result of solving a problem that is tied to an emotion, and will only happen when the pain of not solving the problem is worse than the risk it presents.

Remember, we cannot control whether they decide to move forward or not, but we can control how good a job we do to get them to that point. Would you trust a doctor who prescribed you medication without any examination? How about a lawyer who didn't ask you any questions? The answer is "no" and a consumer won't trust you with their mortgage either, given the same circumstances.

2 THE SECOND BIGGEST FLAW: USING LOGIC AND NOT EMOTION TO SELL

While most of us would like to believe we use logic to guide our decisions, the truth of the matter is decisions are driven by emotions. Most Loan Officers do a poor job of utilizing emotions to guide problem solving, relying instead on the presumption that the consumer knows their problems, understands the potential solutions and will make a logical choice. While some consumers are logical, their decision is still tied to an emotion. Here is a practical example of what most Loan Officers do when hoping to sell cash out:

THE LOGICAL APPROACH:

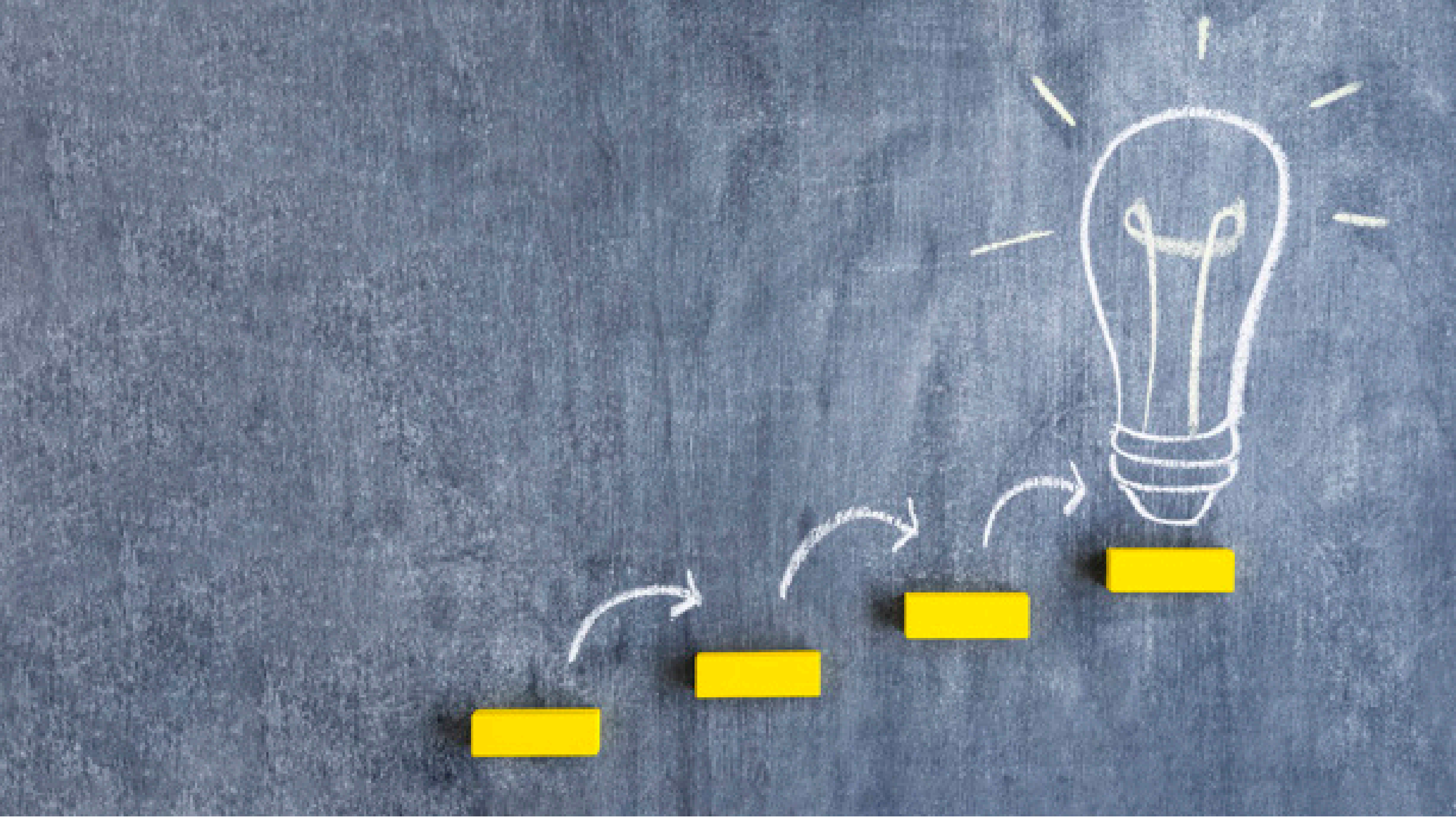
REP: "Mr. Consumer, do you have any credit card debt?"
CONSUMER: "Certainly do!"
REP: "About how much do you owe on your credit cards?"
CONSUMER: "$10,000"
REP: "And how much do you pay per month?"
CONSUMER: "About $400"
REP: "If we could consolidate that into your mortgage and save you money, would taht interest you?"… (This is a LOGICAL approach)
CONSUMER: "Maybe," or "I don't want to put my credit cards into my mortgage," or "Does that mean I have to refinance?" or any number of outcomes.

HOW TO FIX THIS FLAW…

In this approach you are tying them to a feeling of what your solution might be like. Your job is to paint a picture of a brighter future and help them move away from pain and toward pleasure.

THE EMOTIONAL APPROACH:

REP: "Mr. Consumer, do you have any credit card debt?"
CONSUMER: "Certainly do!"
REP: "Wow, you sounded pretty emphatic about that! Is that something that concerns you?"
CONSUMER: "Yes."
REP: "About how much do you have?"
CONSUMER: "$10,000"
REP: "OK, I'm assuming that you didn't just buy one thing for $10,000, or even 10 things for $1,000. I'm also guessing from experience you probably don't even remember what you spend all of that on, is that correct?"
CONSUMER: "That's right, just kind of happened."
REP: "So is your concern that it will keep building up?"
CONSUMER: "Definitely."
REP: "OK, so how would it feel to no longer have that $10,000 in credit card debt hanging over your head?"
CONSUMER: "Great!"
REP: "Also, what would it feel like if you knew you wouldn't need to use those credit cards any more?"
CONSUMER: "Even better!"
REP: "OK, well that sounds like soemthing I should focus on or consider when doing your analysis, wouldn't you agree?"
CONSUMER: "Yes, it does."



Compare the prior conversations with what your reps are saying today. In most organizations, the mortgage sales process has become antiseptic with reps prequalifying what a consumer wants or needs based on very superficial things, such as interest rate. In fact, I hear this quite a bit:

> **REP: "Mr. Consumer, what is your current rate?"**
> **CONSUMER: "3.75%"**
> **REP: "Wow, that's a great rate. We certainly couldn't do better than that today. Do you have any debts or need any cash?"**
> **CONSUMER: "No, I'm good, thanks."... CLICK.**

TO PARAPHRASE WHAT THE REP SAID: "MR. CONSUMER, I CAN'T OFFER YOU A BETTER DEAL THAN YOU CURRENTLY HAVE, UNLESS YOU WANT A WORSE DEAL WITH CASH."

It's ludicrous to think that this will get any conclusion other than a "No thank you," and yet I hear it repeatedly. This is simply because companies have relied on rate dropping as a de facto sales process. That is a race to the bottom. When market shifted to an equity rich, cash out market, the sales floor was told to sell cash out instead of rate. But, they were never taught a **singular sales process** that would generate results in up and down markets.

If your sales process changes with the market, it's not a process.

By arming your reps with a sales process that is centered around assuaging the consumer's feelings (relief from high interest rates and payments), empathizing with their emotions (stress and fear), and fulfilling their real desires (more disposable income, freedom), you create more consistent, repeatable and predictable sales outcomes.

3 THE THIRD BIGGEST FLAW: NOT CREATING AN ACTION ANCHOR

AND LEVERAGING THE "LAW OF CONSISTENCY"

The incentive for a buyer to continue a conversation must be perceived as being in their best interest. When sales people aren't in the habit of asking the right questions as described in the above conversations, they will almost always miss the opportunity to change a "no" to a "yes" by making it seem like the buyer's idea. Most sales reps are unaware of this simple but powerful technique they can use to help create that perception...

HOW TO FIX THIS FLAW:

The psychological idea of the **Law of Consistency** states that "public declarations dictate future actions."

Put a different way, people will make choices consistent with their previously declared statements, attitudes or beliefs. When those decisions are out of balance, it creates cognitive dissonance - uncomfortable feelings which we naturally look to rebalance.

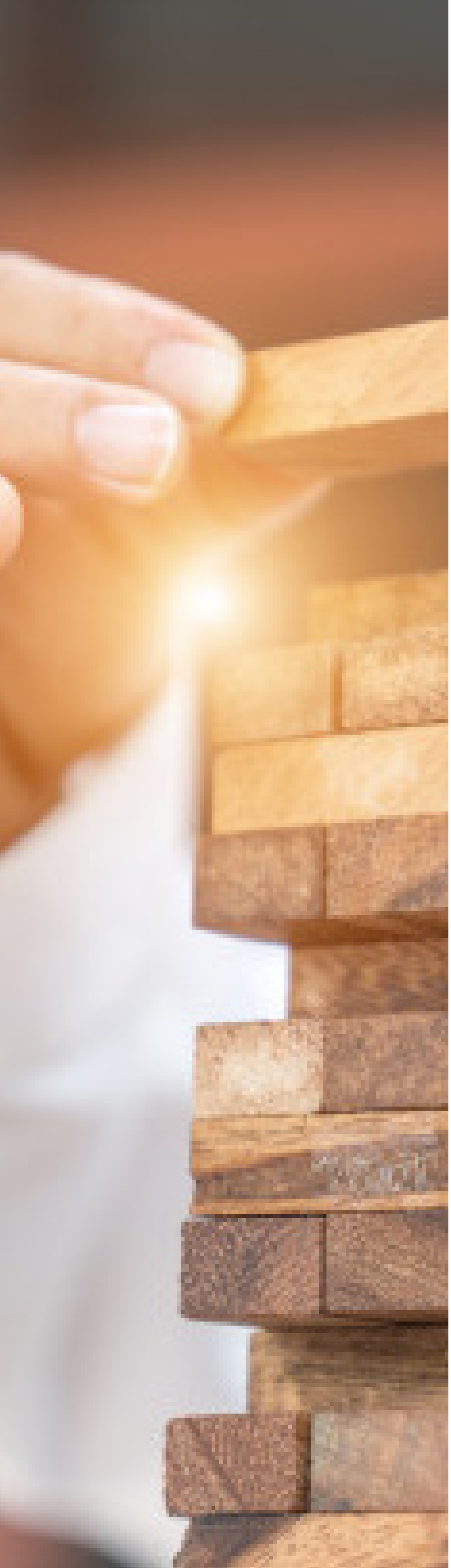
HOW DOES THAT HELP US IN MORTGAGE SALES?

Well, it can help *anchor* consumers to an *action* consistent with the solution you might propose.

For example, if you can get your prospect to declare that credit cards are the worst kind of debt, and getting rid of this debt is a primary concern, it would be very difficult for them to tell you they don't see the point of consolidating that debt as a good solution.

Additionally, if a consumer agreed when asked if they were either somewhat or very concerned about their short or long term finances, it would then be very difficult for them to turn down a free analysis to see if there were any financial vehicles that could help them, either in the short or long term.

Anchoring someone's declarations of self to the goal of the call is simple to learn and paramount to replicable success.



4 THE FOURTH BIGGEST FLAW: THE ORGANIZATIONAL MINDSET, PATIENTS RUNNING THE ASYLUM

While I think “patients running the asylum” should be expressed in the mortgage world as “the attitude at the top is driven by the attitude at the bottom,” they both illustrate a problem. Organizational beliefs eminate from the top down. If the top of an organization believes that only leads, rates or market dictate sales success, they have already lost because they assume the role of victim by something completely *out of their control*. If leads controlled outcome, then statistically all loan officers, over time, would have the same output. That clearly isn’t true. If it were the market, then why do some companies thrive in down markets while others tread water and even others go out of business? The answer is simple: it is the decisions that organizations make that are *within their control* which actually dictate outcome. Therefore, if things are going the wrong direction, look at the decisions that are being made and...

ASK YOURSELF THESE QUESTIONS AS AN ORGANIZATION:

1. **What is your sales process? I don’t mean how do the leads get to the loan officer and what does he or she do when it’s time to disposition. I mean, what are your organization’s turn-by-turn directions that should be followed by EVERY sales rep on EVERY call that will give them the highest likelihood of success?***

2. **How do you measure whether your process is followed? In sales, what gets measured gets done! For example: If a child’s report card reflects grades so that improvement or decline may be measured, so should a sales process include a mechanism for identifying the successful adherance to a process*.**

3. **What do you do when the process is not being followed?**

4. **Do you believe it is your job as an organization to make the sales reps job as easy as possible?**

** The measurment of success should include the process of consistently diagnosing, solving and coming to a conclusion, rather than just getting a prospect to say “yes”.*

I've heard this sentiment said in many different ways, but it all means the same to me, "We owe our sales rep easy work." For example, if I asked an organization whether they prefer each loan officer takes 100 calls per day and gets 1 loan, or takes 10 calls per day and gets 1 loan, *everyone to a man* would say the latter. That's interesting, because it's the exact same outcome. What if I said the 100 calls cost $2 each, and the 10 calls cost $200 each? Then the loan resulting from the 100 calls costs $200 and the latter costs $2,000. I know, I know, I know about the scale argument, but put that aside for a moment. On pure cost alone, it's obvious that the first choice is far superior, yet, in organizations I'll hear that they still prefer to serve up the easier, more expensive calls to their reps. I'm not suggesting you burn out your reps, but a little bit of perspective would be nice. In many industries, reps are expected to make hundreds of outbound cold calls; others might have to go door to door and knock on a hundred doors per day; even others drive from business to business hoping to get one opportunity in a day. If I suggested to a Loan Officer that they had to answer 100 calls a day to get one loan a day and they could do that every day, most would say "not interested, sounds like bad leads". If I then asked them who wants to close 20 plus loans per month, all would raise their hand. These are contradictory because they could do 20 loans a month by answering 100 calls per day, every day, in my previous example. I am not suggesting we make things unduly difficult on the reps but let's stop the dialogue that fuels this broken perspective. As a sales job, being a Loan Officer in a consumer direct environment is pretty cushy. The company drives in-bound leads to them or gives them expensive leads from online consumers who have raised their hand. In the sales world, this is pretty easy work and it can be even more profitable with a process designed around providing solutions instead of selling mortgages, rates, cash out, etc.

HOW TO FIX THIS FLAW...

1. **Recreate your sales process from the ground up, building it with each component of a GREAT process, so it's like having turn-by-turn directions to a conclusion.**
2. **Commit as an organization to follow that process.**
3. **Create systems of measurement and accountability around the process to ensure it is followed.**
4. **Reward reps based on adherence to process and emotional commitment to do their best on every lead every time regardless.**
5. **Seek and destroy excuses for poor performance related to external factors (bad leads, negative market conditions, competition has lower rates...).**

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