

# Converting Mortgage Loan Prospects into Borrowers

*With Rising Rates, Lenders Need to Look at Mitigating Risk*

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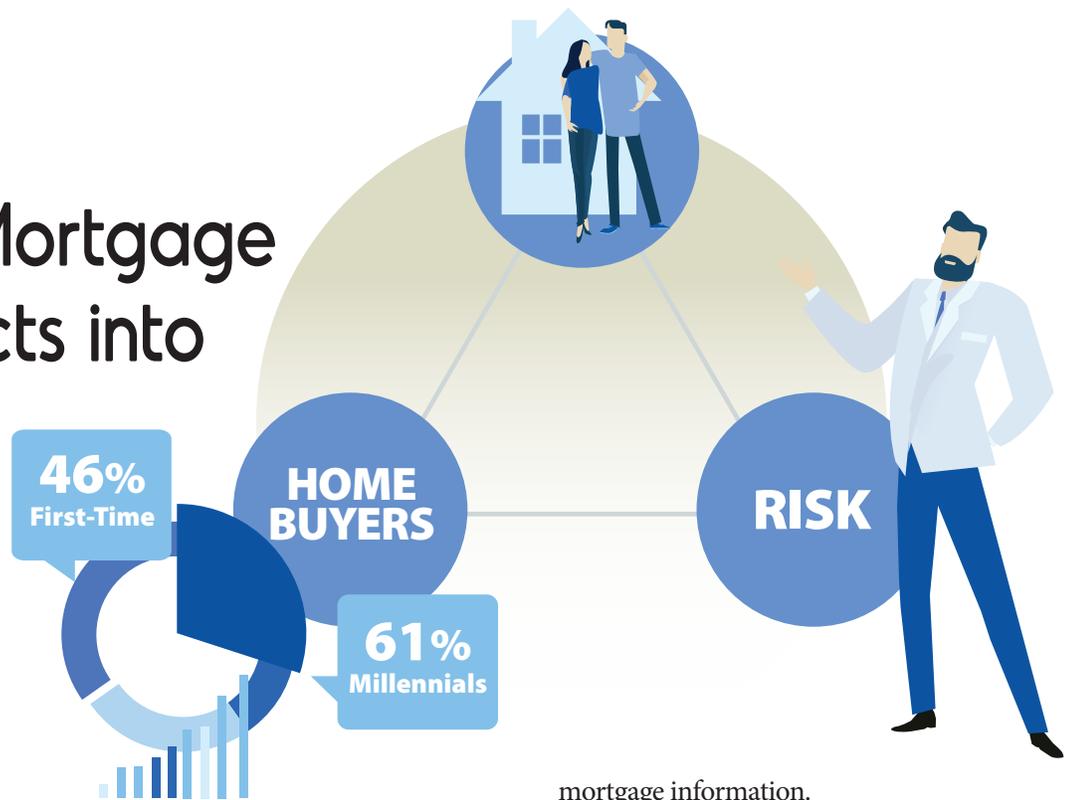
**F**orty-six percent of homebuyers are first-time buyers, a number that continues to increase, and 61% of first-time buyers are now between the ages of 24 and 38, according to a 2018 Zillow report.

Further, first-time homebuyers are more likely to shop around for a mortgage lender than repeat buyers, the report said. And more than half of first-time buyers contact two or more lenders (54%) vs. 37% for repeat buyers.

So, what steps can credit unions take to convert these shop-around prospects into borrowers? Here are some ideas.

**1. Educate Your Prospects:** With its plethora of loan products, unfamiliar jargon, and complicated forms, the mortgage application process can be intimidating, particularly for first-time buyers. Many consumers lack confidence in their personal knowledge of the mortgage process. Only 34% of respondents in a recent American Bankers Association (ABA) survey rated their knowledge about the mortgage process as above average or excellent.

Not surprisingly, first-time homebuyers are less knowledgeable about the



mortgage information.

Lenders and mortgage brokers can also play a significant role in helping determine the type of mortgage the consumer chooses. The NSMB found that up to 70% of borrowers choose their lender or broker before deciding on the type of loan. Lenders can clarify the process and assist in loan product selection by defining terms and explaining the pros and cons of various loan products.

Using a mortgage calculator can help mortgage applicants find the best loan products and rates. Mortgage comparison calculators allow side-by-side comparisons of fixed rate and multiple rate loans and produce amortization schedules for borrowers. Affordability analysis calculators tell applicants how much they can afford. Debt consolidation, refinance, and rent vs. buy calculators help borrowers make wise financial decisions.

**2. Communicate Regularly with Prospects:** Nurturing the relationship can be crucial for turning prospects into members. A Customer Relationship Management (CRM) system can automatically send regular emails to a lender's prospective borrowers. Automatically email prospects to keep them apprised of changes in interest rates, contacting them when the interest rate drops below the individual's particular threshold. A CRM can track whether

prospects open system-generated emails, so loan officers can follow up with interested parties right away.

**3. Make It Convenient to Apply:** In today's digital, I-want-it-now age, borrowers expect the mortgage process to be quick, easy, and transparent. Accordingly, mobile or online services are important to borrowers when obtaining a mortgage or making mortgage payments. Sixty-one percent of respondents to an ABA survey consider mobile and online services very important or somewhat important.

Fannie Mae's National Housing Survey of 3,000 people reveals that 72% of respondents prefer to complete their mortgage application online, while 66% want a fully digital mortgage process.

The percentage of homebuyers who apply online (vs. merely expressing a preference to do so) is somewhat lower but still significant. According to a JD Power survey of homebuyers, 43% applied digitally in 2017, up from 28% in 2016.

Potential borrowers should be able to apply for their mortgage online, attaching supporting documentation to their application. Today's loan origination platforms provide tools that let loan originators proactively follow up with borrowers who have started an application but not yet submitted it, and even take over the application to assist the borrower in completing it.

The best loan origination software also provides timely status updates and allows borrowers to view their disclosures online.

**4. Provide Exceptional Customer Service:** Although technology plays a critical role in a speedy mortgage application process, human relationships are still the most important ingredient for converting prospects into members. Even Millennials contact lenders in-person and via telephone during the mortgage application process. Therefore, lenders need to set themselves apart from competitors.

"Customer service is the most important factor when

you're looking to apply for a loan," says Rob Sickler, a loan originator with Mortgage Network Solutions quoted in a December 2018 U.S. News & World Report article. "A mortgage is a pretty standard product. What sets the best lenders apart is that when problems come up, they're going to give you the personal attention you need."

In one survey, customer satisfaction was highest for borrowers who spoke with their lender in person or by phone (instead of just using self-service tools) when applying for a mortgage. Personal contact with lenders is most important during the follow-up period after an initial inquiry and when confirming loan terms and payment.

One way to set yourself apart is to respond faster. Consumers expect prompt responses to their questions and requests for assistance. Customer satisfaction levels drop sharply for each day a borrower waits for a lender to respond to their inquiry, according to JD Power.

Lenders should also get to know their prospects and their unique needs. Are they first-time homebuyers? Is their credit less-than-stellar? Ask if they're looking for a specific loan type, like VA, USDA or FHA. The lender should then highlight the personal experience with similar borrowers, telling prospects how the lender can help them meet their individual needs. First-time homebuyers may need more education and guidance than more seasoned applicants.

**5. Educate Your Turn-Downs:** First-timers are more likely to be denied a loan before getting approved—29% of those who obtained a mortgage were denied at least once, compared with 8% of repeat buyers, according to a 2018 Zillow report. And 77% of first-time buyers who experience at least one denial before obtaining a mortgage contact multiple lenders.

Instead of just turning away unqualified prospects, lenders should help educate them on how to improve their credit so they can qualify for a loan in

the future. Even if it takes the prospects several months to raise their credit score, the grateful applicants may refer their friends and family to the lender in the meantime until they are in a better position for qualification.

Lenders should offer solutions and resources to help potential borrowers build good credit, such as including links to free credit-building articles and resources. These educational materials can live on the lender's website and can be distributed via social media posts. Lenders can post "tips of the day" about building good credit, explain what lenders are looking for on a mortgage application, and explain how to obtain the lowest interest rates.

**6. And Some More Ideas:** Other things lenders can do to help potential borrowers build good credit include:

- Providing a checklist of information needed to complete an URLA.
- Offering a free consultation about applying for a mortgage loan.
- Holding free seminars about how to qualify for a mortgage loan or how to raise your credit score.

Credit unions can successfully convert applicants into borrowers by setting themselves apart from the competition. Utilizing technology to provide timely updates, offering educational resources, and developing a personal relationship can foster a positive customer experience that helps lenders retain satisfied borrowers for future transactions. ▲

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