Lending Longevity

— by TREVOR GAUTHIER —

Here's a prescription for a long, healthy life for your mortgage company.

We all crave longevity in health, relationships and business. It's a desire fundamental to our most basic instincts, but making things last is easier said than done. This is true in life, and very true in the current mortgage origination world. With so many elements of the business undergoing rapid change, what can you do to increase your longevity as a mortgage lender? ¶ It's fair to say we are all striving—both in business and in life—for increased longevity. Just a century ago, the average life expectancy in the United States was only 54 years old. Today the average is closer to 78 years, and it's becoming more common to live well into our 80s and 90s. Even the number of people living to the age of

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100 and beyond has risen in recent years. One reason for this: As a society, we have more data, thus more knowledge and resulting advanced medical technologies related to health and well-being than ever before.

With this new perspective on longevity in society, it's only natural that we would begin to ask ourselves how to achieve longevity in business as well.

There are three components that make up the longevity journey. Each component is crucial to your business, requiring dedicated teams to make it all come together. Imagine a spectrum that starts with surviving and then curves upward toward thriving. Here's how to travel up that curve.

Survival requires a solid foundation

Everything in life and business is first and foremost centered on creating stability. In life, we call this survival. In other words, we must obtain the bare necessities we require in order to stay alive. Water, food and sleep are the critical three.

In the mortgage origination world, two of the most critical survival elements include compliance and finance. These are the things that, if not properly attended to, can shut you down in a heartbeat.

Many of us pay particular attention to the elements of survival when times are bad. While the industry is by no means suffering at the moment, it is still important to pay attention to these elements of survival in order to remain stable.

In the mortgage origination world, two of the most critical survival elements include compliance and finance.

Our industry these days is largely based upon compliance. A failure to abide by rules and regulations will almost certainly decrease the longevity of your business. Compliance is more than making sure that checks and balances are in place, however. It's also about having systems in place that allow you to nimbly meet new regulatory demands without experiencing a significant impact on your operations.

In our industry, we are often faced with regulations that greatly affect all areas of the business. Having partners in place that work with you to address the changes helps you focus on your people and processes as they relate to new regulations.

Technology providers can make or break your business when it comes to compliance, too. Make sure that you are partnering with those that are nimble enough to continuously modify their technology to meet new market and regulatory demands.

Finances are, of course, equally central to the longevity and sustainability of your business. Funding is required to start a business, and funding is also required to keep a business alive.

Smart reinvestments, combined with regular analysis of money distribution, can provide the visibility many companies often neglect. When, for example, was the last time you looked at your production costs? Potential keys to unlocking your current origination costs lie in identifying lending metrics. These should be simple to explain, calculate and compare.

You can start by working on mortgage lending productivity, concentrating on closed-loan volume. Increased productivity decreases cost-to-close; if you use labor more efficiently, you save money.

Sometimes, as we saw during the market downturn, longevity is about survival. While we can focus on operational efficiencies and ways to thrive during the good times, we aren't always that fortunate. Sometimes riding out the hard times depends upon survival skills.

There is a third critical component to survival: perseverance. While mastery of compliance and finance can help keep you afloat and stable, sometimes perseverance and the ability to see the light at the end of the tunnel are essential to your survival and, ultimately, your longevity.

I've been fortunate enough to be part of a company that has been serving the mortgage industry since 1999, and I can personally attest to the necessity for perseverance. When the industry and economy were in crisis less than 10 years ago, we found new avenues for survival by looking to the needs of our customers.

At that time, the biggest need in our industry was for loan modifications. Due to the flexibility of our technology, we became the technology provider to the largest loan-modification servicer during these years. Similarly, you could look to new mortgage products or growth opportunities—whether organically or inorganically—as a way to overcome obstacles. Sometimes finding new or hidden opportunities in an otherwise bleak landscape can make the difference between survival and failure.

Operational efficiency creates the bridge

Operational efficiency is the second step in lending longevity. Operational efficiency encompasses many different factors, including staffing, products and services, customer communications and others. Because this is such a broad and complex area, it can be overwhelming, and those expected to lead the charge can find themselves confused and uncertain about the right direction in which to proceed.

The secret is to focus on just one or two major initiatives, see them through to completion and then move on to the next set of initiatives.

To draw another analogy between our own health and that of our business, exercise is about consistent, repeatable actions that help people grow stronger and healthier, typically increasing longevity along the way. Similarly, consistent and repeatable operational processes help businesses grow stronger and healthier—also leading to longevity.

Efficiency may not be a life-and-death matter, but taking proactive steps toward increasing efficiency can add years to your business' life.

I'm always amazed when I speak with lenders and find out just how many disparate processes, systems and programs they have in place—all just to close a single mortgage. This may have been the only solution years ago, but today there are too many mission-critical applications that allow for system consolidation in the marketplace.

There is no doubt that implementing new systems is hard. It takes time, money and resources, along with buy-in from the entire organization. In that way, it's like exercise; you can't force someone to exercise if he or she isn't willing to do so, and you can't implement a new system without a willing reception from the entire team.

Fortunately, there are proven, powerful tactics that can help overcome the fear of change. One approach is to showcase the return on investment.

We see this regularly when lenders implement our technology. A key component of this transition is to get their teams excited for such a dramatic change to their everyday jobs. At Mortgage Cadence, we see greatest success when leadership shares its vision with the company and also demonstrates the planned benefits to everyone's daily jobs. Our technology provides an all-in-one solution designed for ultimate flexibility, allowing automation and thus increasing return on investment (ROI). Thanks to this automation and flexibility, our customers are able to exceed borrower expectations—the ultimate goal leadership is able to convey to their teams for true buy-in.

Making it clear that the new system is essential to begin moving toward a thriving state can help bring even the most skeptical players on board.

Like a fitness regimen, an operational efficiency program seeks to replace bad habits with good habits. The effects of a bad diet are often not immediately visible. The effects of bad business habits put long-term stress on a company and can shorten its life span.

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Another item that can shorten your company's life span when it's not in sync with the current direction of the company is employee satisfaction.

Are your employees happy? Happiness and productivity go hand-in-hand. Depending on your level in management and your visibility into the business, you may not have great insight into your employees' happiness.

Employee surveys can give managers and members of the executive team insights into problems and opportunities that may be hard to see until it is too late to act. Employee awards programs can be a great motivator as well.

Another tactic to increase operational efficiency is to look outward instead of inward by investing in measurable, proactive marketing campaigns. Take some time and devote resources to "feeding the factory."

Lenders have always used marketing to increase lending volume, but in the years ahead, marketing campaigns will become particularly important. In the past, the industry has had major surges in lending volume forced upon it from refinance booms and rate drops, which may have put refinement of lenders' marketing efforts on the back burner. Despite that, consistent, effective campaigns are essential moving forward. These are in essence like taking vitamins. If taken on a regular basis, you are sure to see a boost in your ongoing health. In the case of your business, this equates to an increase in potential borrowers.

Many options exist for developing measurable, proactive marketing campaigns. The key is to go with those that are most scientific, allowing for advanced tracking and insight into your return on investment. In the digital age in which we live, this is easier than ever before.

One new option is to focus on social media advertising. This is a great outlet for business to consumer (B2C) companies; not only are they able to target very specific market segments, but they have access to fast, accurate reporting on the outcomes of these campaigns.

Consider creating value-add posts as opposed to traditional advertising posts. Offer something of value to the consumer—a hook, if you will—and you are much more likely to see success from your efforts.

Another option is to employ an email marketing automation tool, which not only streamlines your efforts with your existing customer base to drive upsells, but also enhances your targeted campaign efforts to potential customers.

Reporting and dashboards can give you immediate visibility into the ROI of these types of campaigns. For example, in just 18 months after implementing such tools, one multimillion-dollar company saw the share of total new sales pipeline that comes from marketing campaigns grow from 10 percent to 26 percent. Add to this the fact that the company saw the amount of campaigns it was able to push out grow fivefold without the need for additional staff, and the potential with these tools is quite literally boundless. The workflow, rules and automation available are extensive, allowing you to see operational efficiencies in a whole new light.

The real "heroes" in this new chapter of mortgage lending will be the ones who figure out borrower attraction at a level that keeps volume flowing consistently, from month to month and year to year.

When times are good—as they are now—in our industry, lenders can place more emphasis upon operational efficiency. Take advantage of this opportunity. When the tides of origination volume shift, as they always do, the process improvements you put in place today will help you ride the waves of change tomorrow.

Thriving into the future

Staying true to the longevity-of-people analogy, when we exercise, we receive many benefits. In particular, we release endorphins, which help us feel happier and sleep better. They also encourage us to eat more healthily and help build bridges to better habits.

Here, too, businesses experience their own benefits as they "exercise" by improving their survival skills and increasing their operational efficiency.

For example, efforts to increase employee satisfaction, or to create more efficient ways to originate loans, can and often do lead to happier customers. These happier customers act like endorphins; they create energy and excitement within your team while building your brand's reputation within the industry. Your hard work starts paying dividends on many fronts. In a word, you are now thriving.

Keep in mind, thriving is not a passive state. There is never a time when you get to sit back and reap the benefits. Instead, when you begin to thrive, you should capitalize on this strong position. It is a great time to find new strategic partners that can help the business get to a new level. You can step up your marketing efforts or try new tactics for getting additional customers in the front door. You can work on exceeding the expectations of existing customers, turning them into repeat customers.

Your customers may be happier than they were, but don't stop there. Focus on the borrower experience, making sure that from the moment the customer clicks on your website to the time he or she closes a mortgage, that customer has the best experience possible. In today's world of all-digital-everything, you must provide immediacy, transparency and the informative, enjoyable online presence that borrowers demand.

There are lots of other ways to invest in your future while thriving. For example, are you curious about whether those Facebook™ ads might create enough brand awareness to attract your next borrower? Why not invest a set dollar amount into this initiative and see if it pays off?

Do you think real estate agent referrals could be improved? Give your loan officers the budget to create new relationships with the real estate community or to strengthen their existing relationships.

When you're in a thriving state, the options are wide open. Be sure you have a team in place to not only execute on any initiatives you deem worthwhile, but also to track results. Not every initiative may pan out. Being able to quickly react and adjust as needed is crucial.

As an industry, we're fortunate enough to be experiencing a prosperous time. What you do with this opportunity is absolutely critical. Sometimes that may mean taking a few more judicious risks; at other times it may be about implementing a new process or system you've been delaying due to budget concerns and conflicting priorities.

Ultimately, increasing the longevity of a business is never going to be a one-size-fits-all approach. There is no right or wrong answer. You can't go from surviving to thriving in one step, but as long as you realize that, you are probably on the right track.

If the business is thriving, it won't continue to do so simply on its own. Longevity is about constant evaluation and evolution. The teams running the business are the key to continued success. They determine whether you fail, whether you scrape by or whether you grow and thrive.

Are you surviving? Thriving? Or somewhere in between? Chances are, you will experience different phases of the spectrum at different times.

The industry is subject to market, regulatory and other changes that can have sudden and significant effects on any business. With hard work, good planning and maybe even a little luck (that you perhaps created), you will likely find yourself in a position to survive the bad times and to thrive when conditions improve. **MB**

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