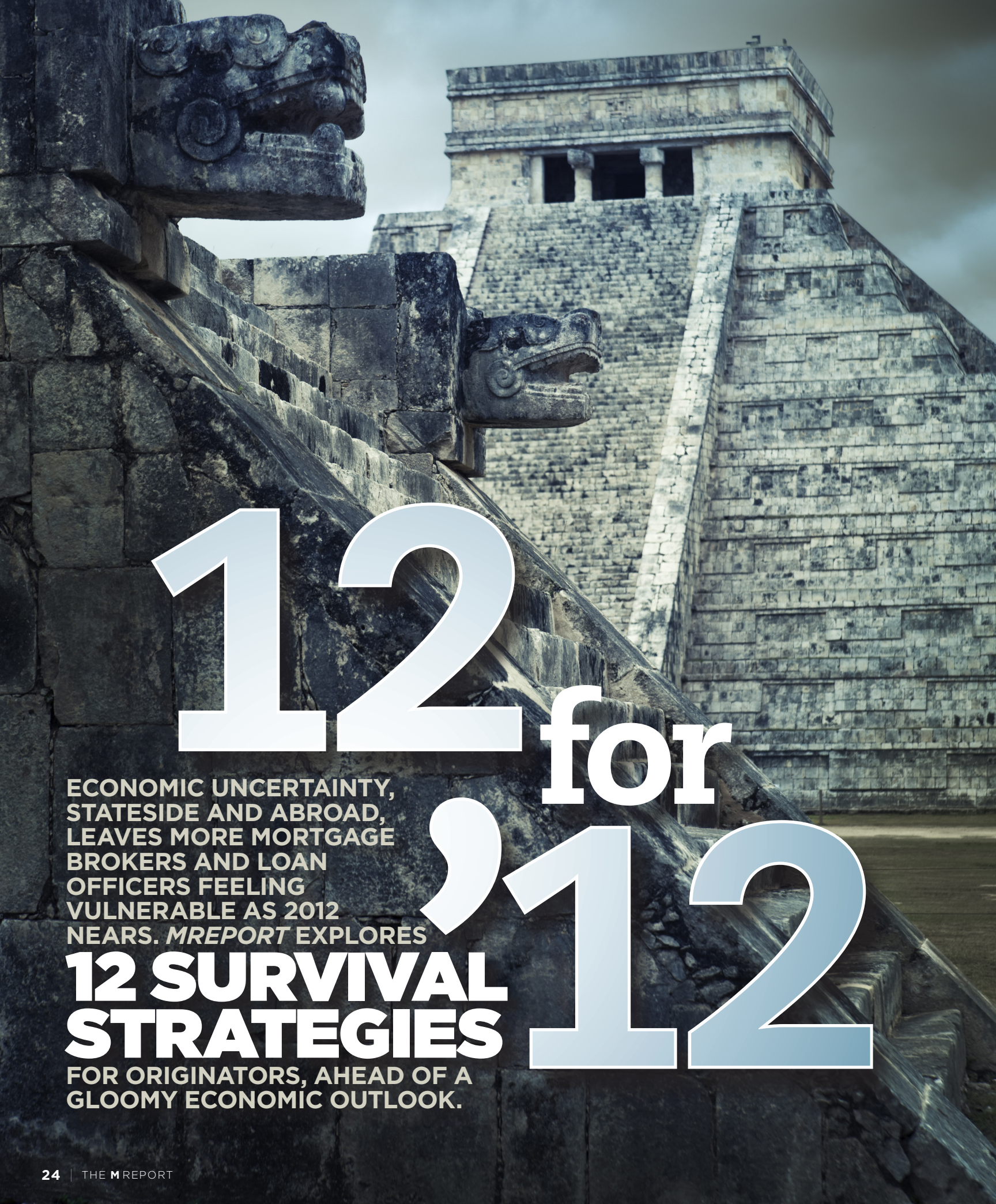

12 for '12

ECONOMIC UNCERTAINTY, STATESIDE AND ABROAD, LEAVES MORE MORTGAGE BROKERS AND LOAN OFFICERS FEELING VULNERABLE AS 2012 NEARS. *MREPORT* EXPLORES

12 SURVIVAL STRATEGIES

FOR ORIGINATORS, AHEAD OF A GLOOMY ECONOMIC OUTLOOK.

By Ryan Schuette

If you follow mainstream beliefs about the Mayan Calendar, the world should end—on schedule, with a really big bang—on December 21, 2012. Think films by Jerry Bruckheimer. Towering waves. Collapsing highways. Falling meteors.

You may have found yourself tilting toward the doomsday scenario recently if you're a mortgage broker or loan officer. Plunging stocks destroyed gains in the markets in one event after another, capsizing consumer confidence even as federal regulators stepped up rules and guidelines, all amid gasping reports for jobs, home sales, and home prices.

That was just August. Fannie Mae further soiled the economic outlook by releasing a report under the same name, slashing expectations for GDP growth to 1.4 percent from 3.1 percent over 2011. Adding to woes, 70 percent of Americans now believe the economy is in peril, according to the outlook.

No matter where the economy goes in 2012, the ability to thrive in the mortgage industry remains firmly in the hands of mortgage brokers, loan officers, and their companies, say the dozen or so industry insiders who spoke with *MReport* for this article. And—as always—survival depends entirely on the desire to innovate and adapt.

As Paul Donohue, founder of Abacus Mortgage Training and Education, tells us, mortgage brokers and loan officers are "not just selling mortgage loans anymore. That game is over. The originator of today is economically savvy and has the tools to deliver mortgage options in a way that the mortgage borrower wants to buy it and receive information. Anyone who doesn't have these tools is a dinosaur."

Thankfully, *MReport* is here to help you transition from dusty fossil to Mayan stargazer. Follow below as we outline 12 steps to survival for brokers and officers for 2012 that even movie directors would envy.

01 You Are a Brand—Act like It

Writing in *Managing Brand Equity*, best-selling author David A. Aaker quoted one industry leader as saying, "A product is something that is made in a factory; a brand is something that is bought by a customer."

Put simply, a brand—for a mortgage company with more than $50 billion in assets or a mortgage broker with fewer than $50,000 in a 401K—communicates trust. And where is brand equity for mortgage lenders now?

Some say in the dumps, alongside home equity. A *Washington Post* survey conducted last year found nearly half of all respondents faulting mortgage lenders for their role in the recession. On a related note, research agency Milward Trust found Amazon.com, FedEx, and Huggies diapers topping a list of the top 10 most trusted brands in a 2010 survey—with not one mortgage lender or servicer making the cut.

David Lykken, a managing partner with Austin-based consultancy Mortgage Banking Solutions and 37-year industry veteran, encourages loan originators to buck the distrust by seeing themselves as leaders—and acting like ones by staying accountable and managing consumer expectations.

"What are the values you want to project about yourself?" he asks. He advocates for a delusion-free reality in which originators heed lessons from the financial crisis, take responsibility for their lending decisions, and instill in their professional life a set of values.

"Borrowers going forward will not go for the slash-and-dash loan officer of yesterday," he warns.

02 Think like a Call Center

Brand management is meaningless without a customer service strategy. And if a recent Leads360 "secret shopper" survey signals anything, lenders could benefit from a day or two in a call center. Releasing the results in August, the firm found that only 21 percent of mortgage lenders make any effort to touch base with borrowers 24 hours after first contact.

Scott Sheldon, a loan officer with Santa Rosa-based Sonoma County Mortgages, calls the findings "very valid, very real." He says that most clients complain about a lack of follow-through from other lenders at the outset.

His strategy? According to Sheldon, he returns phone calls from potential borrowers within a 24-hour window. "I respond to my clients because they're my lifeblood, and I want to be their lender of choice," he adds.

Lykken goes a step further by recommending that originators stay in touch with homebuilders. He suggests building "a universal database of all your business contacts and marketing" to borrowers, Realtors, and builders alike—a grassroots strategy he calls "the best way to get referrals."

03 Plug In or Sign Off

Much as Mayan mathematicians got ahead of the ancient world by mastering astronomy, mortgage brokers and loan officers will thrive in 2012 by tapping into today's tech.

Karen Deis, a 27-year industry veteran and serial entrepreneur, capitalized on the social media movement in 2009 by founding MortgageGirlfriends.com and LoanOfficerTraining.com more recently. She frequently Tweets the latest in mortgage tips and news with some 6,000 followers under #mortgagecurrent.com.

Of those Tweeters, she says, some 700 to 900 followers regularly share quips and declarations that began with her—and she knows because she receives a monthly report that tracks the analytics. Deis calls Twitter a "totally effective" tool that generates new traffic for her Web sites daily.

"With Twitter, I make very specific posts about mortgage rules and regulations on a regular basis," she reveals. Her secret: she doesn't do it daily—or on the fly. She plans her marketing strategy

and drafts social media posts well in advance, often by two to three weeks and largely by virtue of early-bird rule-making notices she finds in the *Federal Register*.

Following sources like the *Federal Register* allows Deis to "create a post that automatically goes up on Twitter every two to three days, and every other one usually gets posted on Facebook as well," she says.

Social media campaigns aren't the only ways for originators to build a brand. Lykken nods at the QR code, an abstract-looking bar code, as a way for more brokers and loan officers to instantly scan their information to a mobile device.

Instant communication like the QR code and social media are "at the core and future of the industry," he says.

#8: Don't Turn Your Back to the Future

04 Start a Blog (and Follow Others)

The *New York Times* published a story in February suggesting that blogs were on the way out of Americana, with a Pew Research Center initiative revealing a slow trickle by bloggers in their teens and twenties from sites like Blogger.com to trendier Facebook and Twitter.

Tell that to Deis, who guest-blogs and subscribes to a number of others in addition to her involvment with her Web sites. She says that mortgage brokers and loan officers should brand themselves with blogs or post to others at least once a week.

Deis recommends ActiveRain.com—where she says originators account for only 15 percent of some 213,000 users—as a useful starting place for enterprising brokers and loan officers.

Other loan officers brand themselves with their own unique Web sites. Sheldon, available at SonomaCountyMortgages.com, keeps information relevant to borrowers by including drop-down menus for email subscribers, news about conforming jumbo loans—a hot topic for high-end homeowners in Santa Rosa— and even video testimonials by past borrowers.

Dan Green, another broker-blogger, started making his mark online back in 2004. Today he postulates about the latest tips and trends at DanGreen.com, where he advertises a subscription box for daily reports about the mortgage industry.

"My blog generates the majority of my new business as a loan officer," he writes on the site.

Deis praises the power of video, which she calls a "versatile" branding tool that originators "can publish to their Facebook and Twitter accounts, blogs, and Webs ites."

She offers a caveat: video users should record no more than two minutes of themselves speaking. Anything longer, Deis says, and an originator risks alienating a new face.

05 Think (More) like a Realtor

Brand management is familiar territory for the savvy real estate agent. Realtors often stamp their business cards with their pictures, plaster billboards with their faces, and network to the fullest. So should loan officers and mortgage brokers.

For Deis, a back-to-basics approach for originators entails sending out fresh ads, developing relationships with apartment managers, and floating advertisements to new renters.

She encourages originators to use Web sites like apartmenttoolkit.com, where brokers and officers are able to see vacancy ratios for apartment complexes and determine their marketing strategies accordingly.

"Planting that seed by marketing to an apartment complex is key right now," she says.

Marketing doesn't end with renters, either. David Supinger, a real estate broker with RE/MAX, says that originators and real estate agents could help each other meet their bottom lines simply by staying in touch about a borrower.

He prefers email to other forms of communication and says that he refers more clients to originators who "send their business back up the food chain to us."

06 Survey the Situation

No amount of blogging, Tweeting, or brand management compensates for a solid lay of the macroeconomic landscape. Asks Donohue: "How can we position ourselves now for what will affect us in 2012 without understanding the dynamics of the economy?"

His answer: sign up for two to three reputable surveys, indices, and news sites "to stay in touch with on a regular basis."

Donohue says he unabashedly recommends two sources of information to the brokers and loan officers he knows: a blog by industry insider Rob Chrisman and TheMReport.com's own *Daily Dose*.

For its part, TheMReport.com fleeces research from a handful of trade groups and universities on a weekly and monthly basis. Mortgage giant Freddie Mac and finance Web site Bankrate.com index mortgage rates in weekly surveys, while the National Association of Realtors and Standard & Poor's cover existing-home sales and home prices, respectively. The Labor Department tackles jobs reports each month.

"You have to translate those measurements into how that is affecting your business model today," Donohue says.

07 Appraise the Rules

Appraisal standards underwent a facelift during August, with the GSEs replacing archaic guidelines with alphanumeric codes. Speaking with *MReport*, Stephen Sousa, EVP of the Massachusetts Board of Real Estate Appraisers, called the industry "ill-prepared" for the sweeping changes.

The standards serve as a useful metaphor for mortgage brokers, loan officers, and anyone else who needs to stay abreast of an industry frog-leaped by federal regulators.

"Compliance used to be a backroom operation," Donohue says. "Now every originator has to take full responsibility for compliance with regulation."

The education company founder lists a string of resources available for the need-to-know originator. Along with TheMReport.com, he offers up the Lenders Compliance Group and the *Mortgage Finance Regulation Answer Book* 2011–12, a periodical written by compliance attorneys with Patton Boggs.

Deis says she goes to a few other sources for her regulation news, including the *Federal Register*, the Chrisman blog, and *Appraisal Scoop*. She also encourages brokers and loan officers to hit up her Web sites and social media accounts.

She says she plans to publish a six-page chart with all the new codes for appraisal standards fairly soon.

08 Don't Turn Your Back to the Future

While it helps to know the latest in home sales and compliance measures, mortgage brokers and loan officers know well their need to tend to clients—and their expectations. If birthrates signal anything, now is the time to tune in to the needs and wants of the next generation.

A Center for American Progress review recently found that Millennial adults—those born in the 1980s and after—continue to reflect the nation's growing diversity, with 60 percent white and 40 percent comprised by Hispanics, African-Americans, Asians, and others.

"You have a generational bulge moving through our society that is bigger than the previous one," Donohue says. "Are [Millennials] going to be renters? Owners? What are they going to buy and how are they going to buy it? It's a whole new generation."

He isn't far off the mark. Millennials are sometimes synonymous with feelings of entitlement, needs for reassurance, and higher expectations, in and outside of the workplace, according to recent studies.

Donohue says these higher expectations compel Millennial homebuyers to find impartial sources of information—even if these include brokers and loan officers.

His advice? He encourages loan originators to cultivate blogs, emails, and Twitter comments that "offer real advice that makes good economic sense and sells homeownership in a values-based package."

> "Originators and origination shops first and foremost need to be able to translate the changing landscape of the industry into productive work. And it starts with the fact that we're in a new paradigm."
>
> —Paul Donohue, Abacus Mortgage Training and Education

09 Database, and Do It Often

Historians often praise the ancient Mayans for their organization as much as their sophistication. The famous pyramids didn't erect themselves overnight—and neither will the plan of attack that originators need to secure their niche in new markets.

"When markets change, they change quickly," Green, the broker-blogger, advises *MReport*. "The loan officers that capitalize best are the ones whose databases are organized."

Deis underscores the helpfulness of all-in-one database systems like the Loan Origination System (LOS), available via INTEGRA Software Systems. She recommends LOS as an easy way for originators to build borrower files that track their names, birthdays, birthplaces, financial history, work history, and more.

Adds Green: "Loan officers that database effectively last a long time in this business. No matter how busy you are, take time to log all of your closed loans, and all of the loans you've lost on price."

10 Stay Ahead of the (Bell) Curve

By law, more mortgage brokers and loan officers are now required to show up for eight hours of classes a year, according Donohue—something he calls "a joke."

"It's ridiculous," he adds. "People just check a box and say, 'Well, that's eight hours.' And they do themselves and their customers a disservice," something he warns "will come back on them later."

For the busy originator, he suggests Webinars and live feeds as ways to dig deeply into compliance standards and industry trends without sitting in a brick-and-mortar classroom for a day or two.

His own company, Abacus, supplies originators with coursework that falls along the lines of the Dodd-Frank Act, Consumer Financial Protection Bureau, credit scoring, and more. Even better, he says, originators can take the coursework in two- and one-hour sessions instead of all-or-nothing eight-hour marathon runs.

Donohue says the classes are available to originators across four formats, which conveniently include self-paced instruction, correspondence courses, brick-and-mortar settings, and live-equivalent—a blend of in-class learning and live feed.

"Learning is now part of the job," he says. "Make sure your continuing education counts."

> "[Brokers and officers] need to start thinking like risk managers," viewing their bread and butter through the lens of recent history."
>
> —David Lykken, Mortgage Banking Solutions

11 Hi, I'm . . . the Event Junkie

Amid all the innovation—social media, live-equivalent classes, and the like—industry insiders say that old-school associations and conferences still deserve a good share of attention.

Green offers up the Real Estate Technology Conference (RETSO), which he dubs "a conference of 'doers'" and praises as "the best conference I've ever attended." Held in Atlanta over April, the gathering of real estate agents and mortgage industry professionals prescribes new technology and solutions to a host of other problems.

Apart from RETSO, a litany of other conference events—the annual Mortgage Technology Conference in Miami, the annual Mortgage Servicing Conference in Dallas, and the Southern States Servicing Conference in Grapevine, among others—bundle together networking and learning experiences for the fast-moving and able-bodied.

For originators who can't always make time for far-off conferences, there are so-called "mastermind" groups and events, which Deis recommends online and off. Mastermind groups are often local, loose affiliations between real estate agents and brokers who usually dine together and hear from speakers.

The catch: you have to be invited by someone already in the mastermind club. Think Google+.

12 Do Your Loan Homework

Bankrate.com recently pointed to a number of loans with negative amortization and interest-only arrangements—all too common in an $11 trillion mortgage market. But which of these "exotic" mortgages are actual loan products?

Lykken highlights the role played by "inventive" loans and marketing practices during the financial crisis and calls on mortgage brokers and loan officers to do their homework as a final way to prepare for the new industry.

"We drank our own Kool-Aid," he says of originators. "Loan officers now need to start studying who is behind the product and ask, 'Is this a figment of someone's imagination, or is the product real?'"

For resources, he suggests tapping into New York Loan Exchange and Optimal Blue, automated product systems that do the dirty work of research and release the results in their software.

He says these online tools fit the same niche as the outgoing *Scotsman's Guide,* a traditional catalogue that lists "every loan product that exists." He praises the transition by its publisher to a virtual platform but says it "needs to be more than a PDF."

"Moving forward," Lykken says, "loan officers and originators who survive in this business will understand that they have a huge role and responsibility in the origination process. "[Brokers and officers] need to start thinking like risk managers," viewing their bread and butter through the lens of recent history.

Can the enterprising originator benefit from these 12 steps to market survival? The experts with whom we spoke all say so, with new media and technologies topping their list for brand management strategies.

Says Donohue: "Originators and origination shops first and foremost need to be able to translate the changing landscape of the industry into productive work. And it starts with the fact that we're in a new paradigm."

Take it from the ancient Mayans, who vanished mysteriously hundreds of years ago: adapt now or leave ruins in your wake.