Frustrated With Loan Fallout?
Don't Reject…Redirect.

In the mortgage industry, a subpar credit score is one of the biggest hurdles to the successful conversion of leads.

BY ELIZABETH KARWOWSKI

Quality leads. In the wake of the federal regulations imposed after the 2008 recession, consistent access to quality leads is often regarded as the "X factor" that will make or break a loan officer's career. Unfortunately, they usually prove to be as costly as they are difficult to come by, and no one method of lead generation has definitively outperformed the rest. Two of the most common lead generation techniques are the purchase of leads from companies that specialize in lead aggregation and direct marketing on search engines such as Google or Bing.

There are many lead generation companies that claim to be more cost effective than others or provide batches of leads at prices that often sound too good to be true. However, more often than not, those cheaper leads are priced so "competitively" because they have already been contacted ad nauseum and are simply not viable sources of potential business. Like most other things in life— you get what you pay for.

It should also go without saying that a loan officer can't successfully build his book of business simply by purchasing the most expensive leads available. For instance, a lender might have more success if it markets directly to consumers who are actively seeking out the products being offered by that lender. Depending on the target audience and the nature of the product, lead generation via direct marketing might prove to be more cost-effective and produce better results.

Before investing considerable resources into the various lead generation mechanisms, veteran loan officers apprise themselves of the available generation options and methodologies, their respective costs, and establish procedures and/or partnerships to maximize their return on investment.

Purchase Leads from Third Parties

One of the more prevalent avenues through which many loan officers and mortgage companies cultivate leads is via third parties that specialize in lead aggregation. These companies have online databases which contain consumer information which may include income, age, current home value, and desired loan amount. Then, depending on the third-party website, lenders have the ability to filter potential customers based upon that information and target only those consumers that meet the lenders' criteria.

It is common knowledge amongst those who purchase leads from third party lead aggregators that quality is often reflected in the price per lead, and the price per lead can fluctuate widely. The question is, then: What factors influence the quality of any particular lead? First and foremost, the exclusivity of the lead will often be used as the prime indicator of its quality. Exclusivity refers to how recently, and the frequency with which, the lead has been contacted by other lenders. While there is no exact metric for the duration of time elapsed since the last time a lead was contacted, a lead that is sold as exclusive should not have been contacted by another lender for several months and, in some cases, has never been contacted. These leads often provide the best opportunity for a lender to close, which makes them more valuable and, in turn, more expensive than non-exclusive leads.

Non-exclusive leads, as the name suggests, normally mean that the consumer information has been disseminated to several other lenders who are all vying for that consumer's business. A lower average closing percentage is reflected in the lower price per lead. Normally the more lenders that receive the lead, the cheaper that lead is.

There are several other characteristics that should also be taken into account when assessing the quality lead. For example, the depth of a lead, or the number of datapoints attributed to each consumer, determine how comprehensive a view the lender will have of prospective clients. The greater the depth, the more informed a decision the lender will be able to make when establishing its marketing strategy. Accuracy of the data is another factor that should be considered by a prospective buyer. The name of a consumer, coupled with incorrect or out of date contact information, is obviously nowhere near as valuable to the lender as those leads for which that information has been verified.

All of the aforementioned characteristics factor into the price of any particular lead or batch of leads. Depending on the source, the actual dollar amount of two seemingly identical leads can vary. One of the highest, if not the highest price per lead was reported by hubspot.com in 2017. Hubspot reported that the average cost per lead in the financial services industry was $272.00. However, this figure has been rebuked by many industry professionals as extremely high and most likely inflated. More conservative estimates place the cost for leads of the highest quality (exclusive, with a plethora of data points, and verified information) anywhere between $70.00 to just over $100.00 per. The price for leads that are semi-exclusive, lack as much depth, and/or lack any of the other important characteristics of the highest quality leads usually decreases proportionately to their information disparity.

Search Engine Marketing

Search engine marketing (SEM) is another method by which many cyber savvy lenders have begun to generate leads. The basic premise of SEM is to advertise directly to those consumers who are searching on Google, Bing, or any other popular search engine, for precisely the products being offered by the lender. For instance, if a lender is looking to target consumers who are in the market for a new home or looking to refinance their current home, that lender can utilize AdWords on Google or BingAds on Bing to ensure that their website and ad copy is displayed at the top of the search results when those consumers' search terms contain certain keywords chosen by that lender such as "mortgage" or "refinance". This method of marketing allows the lenders to track certain metrics, such as how many people are clicking on their advertisements and cross-reference the number of clicks with the actual number of applications they receive.

Search engine marketing is a popular tool for those companies who wish to generate fresh leads in-house using their own customized criteria, and who have the human bandwidth to measure and track results. This method, however, can prove to be a double-edged sword. Although the advertiser is only responsible for paying fees in the event that a potential lead clicks their link, if the search parameters are too broad, or the potential lead is looking for something unrelated (such as a college student writing an economics paper about refinancing), all of those excess clicks could prove to be very costly without yielding desired results. A lender using AdWords can expect to pay upwards of $124.00 per lead, which is on the high end of the lead generation spectrum when compared to leads purchased from third party aggregators. In this instance, however, lenders have the opportunity to cut out the middle man and market to consumers, directly. If done right, the lender can target specific consumers with pinpoint accuracy, eliminating wasteful spending. But if done incorrectly, it could prove to be a costly exercise in futility.

Maximize Lead Value

The aforementioned methodologies are meant to serve as two examples of how many lenders choose to generate quality leads and connect with promising prospects. Both have the potential to generate new loan opportunity but, if not properly researched and executed, both have the potential to devolve into expensive albatrosses around the necks of loan officers. Regardless of the outcome, lead generation, although necessary, can, and often will, prove to be a costly endeavor. For this reason, it is imperative to implement strategies to ensure that lenders will wring out all the value they can from the leads they purchase.

In the mortgage industry, a subpar credit score is one of the biggest hurdles to successful conversion of leads. All too often, leads who look great on paper in terms of employment status, income, and other assets, have a disqualifying FICO score. In fact, more than one-third of all Americans have a FICO score of 620 or below. Unfortunately, this means that lenders could wind up shelling out serious cash for leads that would otherwise be considered the highest quality, only to discover that those consumers fall outside their products' parameters.

Because this problem has become so commonplace, many lenders have begun to partner with organizations that specialize in rehabilitating and recapturing those leads. Why let thousands of dollars' worth leads, and millions of dollars' worth of potential business, fall by the wayside because of credit scores. ❖

About The Author

Elizabeth Karwowski is the CEO of GCH360, a technology company that has developed a proprietary process and solution, which seamlessly integrates with the lenders' loan origination software (LOS) and customer relationship management software (CRM) in order to create new loan opportunity and recapture leads. GCH 360 helped their partners create over $100M of new loan opportunities in 2017 alone, and plan on continued growth in 2018.