Keeping Turned Down Borrowers In Your Pipeline

Some lenders have recognized the need to steer unqualified applicants toward resources that could help them improve their credit, but have reservations about forming these partnerships with third parties.

BY ELIZABETH KARWOWSKI

The difficulty of establishing and maintaining a reliable pipeline of new business has become readily apparent across the mortgage industry. Low credit scores, subpar credit profiles, and rising cost of lead generation and acquisition have taken their toll on the price per lead and, consequently, the total cost of origination. Furthermore, the shift from a refinance to a purchase market has only made it more difficult to drum up new business, adding to the frustration experienced by many loan officers in this sector.

In years past, loan officers relied heavily upon in-house generation of leads. Those leads were typically of higher overall quality, and the prior business relationships removed many of the barriers to conversion common to novel sources of business. However, as many in the mortgage industry are now being forced to look outside of their own organizations for new sources of business, they are often stymied by the sheer number of consumers who simply do not qualify for financial products because of their credit profiles. leads is seemingly wasted.

The question that every lender and loan officer should be asking themselves is: "Is there any way to salvage even a fraction of those rejections by turning them into qualified applicants?" The answer is yes, and the best way to go about doing so is to form strategic partnerships with entities that specialize in credit remediation and rehabilitation. By forming those partnerships, lenders are able to tap into a previously inaccessible market, while broadening the spectrum of customer services that they offer should receive assurances from its referral partners that the lead will not sold or referred to any entity other than that which referred the lead. Additionally, lenders should insist upon periodic progress updates when the referral reaches certain milestones. This type of system will allow the lender to decide how interactive it should be throughout the remediation process. Smaller lenders with limited resources may wish to simply monitor progress, while those larger lenders with greater availability of human capital may wish to be very "hands-on"

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According to a report published by the Federal Reserve Bank of New York, more than one-third of all Americans have a FICO score of 620 or below. Furthermore, the Consumer Financial Protection Bureau revealed that over 45 million adults either do not have a credit score or are un-scorable. There are 300 million people in the United States (that number includes children), and 15 percent of them do not have a credit score. All too often, banks simply tell those people who fall outside qualifying parameters that they do not have the necessary credit, and implore them to come back if and when their circumstances change. There are no mechanisms in place to assist these potential clients, and the time and resources spent acquiring and attempting to convert those to current and prospective clients and remaining compliant with various federal regulations.

Some lenders have recognized the need to steer unqualified applicants toward resources that could help them improve their credit, but have reservations about forming these partnerships with third parties. One of the main reasons that loan officers are reluctant to refer a lead to a third party is because they fear relinquishing control over a lead in which they've already invested considerable resources. This is why it is imperative to partner only with those organizations that offer a completely transparent rehabilitation process, and which allows the referring lender to maintain its control at every stage of the remediation process.

Ideally, the loan officer in order to build a stronger rapport with their referrals. Regardless of which tactic lenders decide is best for them, it is imperative that every referring lender receives notification immediately upon the referrals' completion of the remediation program, so that those lenders can re-capture those leads when they become qualified for the loans for which they initially applied.

Many lenders are also beginning to toy with the idea providing remediation services, themselves, in an attempt to assuage their own fears associated with referring leads to third party partners. However, many do not realize that if they were to offer these types of services, or even provide advice regarding self-help, they could be reclassified as a "Credit Repair Organization" under

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federal law. If this were to happen, it could impute unwanted liability. A financial institution that gets reclassified could face fines or other penalties for failing to comply with stringent regulations imposed upon organizations or individuals who provide those types of services or advice. Forming partnerships with reputable companies that routinely provide this type of assistance would ensure that lenders are able to protect and insulate themselves, while still providing a service that many applicants need.

Aside from converting those leads that would have otherwise been unqualified into viable sources of business, strategic partnerships with third party credit remediation companies offer numerous benefits to lenders that are not as obvious. Lenders should be able to outsource the entire credit remediation process without devoting any additional resources, whether pecuniary or otherwise, to those leads that were initially unqualified. Upstanding companies should never charge lenders a fee for their services. When lenders are able to recapture unqualified leads it decreases both, the cost per lead and the average cost of origination, which are two common goals that every lender strives to meet.

Some of the more seasoned lenders may have reservations about working with credit remediation companies or making overarching changes to their business practices and policies. This is understandable, considering that they have enjoyed past success operating as they always have.

However, as the industry landscape changes, mortgage lenders must adapt in order to maximize the increasingly limited opportunities that present themselves.

A strong pipeline to a previously underserved, untapped market will certainly benefit those who have the foresight to access it early to take advantage of the new source of business. Strategic partnerships such as those described herein are one of the best ways to do just that, and will yield a net benefit to lenders, as they do not require the expenditure of precious resources that would be better spent on in other areas of business development. As the marketplace becomes ever more crowded, and the cost of origination continuously narrows profit margins, the adage "adapt or die" has never resonated so clearly. ❖

ABOUT THE AUTHOR

Elizabeth Karwowski is the CEO of Get Credit Healthy, 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. Get Credit Healthy helped their partners create over $200M of new loan opportunities in 2017 alone, and plan on continued growth in 2018.