

Tilt the Playing Field Your Way by Going Beyond Rates

Borrowers ask about interest costs, but yearn for deeper advice in the challenging homebuying process

By Tom Gillen

Traditionally, spring is when the mortgage industry sees a spike in the number of borrowers looking to buy a home. Even in a tightening market like today, this will likely continue to be the case. As one would expect, the major consideration for potential homebuyers is interest rates, or more specifically, how high is the current rate and how much higher — or at what pace — is it expected to rise.

While it is true that interest rates have increased over time to prevent our robust economy from overheating, it's entirely likely that the industry has experienced most of the expected increase, and any further ones will be less dramatic. This upward trend can be concerning for borrowers, but it is important to remember that from a historical perspective, rates on a 30-year fixed-rate mortgage are still close to where they were in 2005, prior to the Great Recession.

The truth is that the mortgage industry has survived (and thrived) off of a low-rate environment for years now, with many mortgage originators and the lenders they work with building a respectable business on refinance loans and other similar products. In the coming years, however, mortgage originators cannot remain competitive simply by marketing low interest rates, or they risk becoming just another provider in a commoditized marketplace.

With a more level playing field in place, borrowers will more than likely tend to evaluate originators and lenders alike based on the additional value they bring to the table with each and every deal. Moving forward, originators will need to focus on serving less as facilitators in a process and more as mentors and teachers capable of guiding borrowers through the mortgage process and building that all-important lifelong relationship.

Honest communication

The mortgage process is a highly emotional experience for most borrowers, but especially for first-time homebuyers. This is why open, honest communication is critical to the success of any borrower-lender relationship.

In order for originators and lenders to provide proper guidance throughout the entirety of the mortgage process, borrowers must have faith that their originator is looking out for their best interests. By practicing skills like active listening and using open-ended questions, originators can better demonstrate to borrowers that they are being heard and understood, and tailor their advice to suit specific borrower needs.

Education is perhaps the most significant aspect of the borrower-lender relationship today. NerdWallet's

Home Buyer Reality Report underscores that borrowers who do not fully understand the mortgage process are much more likely to face potential obstacles. This additional stress on the borrower's part often bleeds into their relationships with friends and family as well — all of whom are important as potential key sources of referrals.

While it is important for originators to explain the entirety of the lending process in detail and to outline specific borrower responsibilities, it's also critical for the originator to evaluate the borrower's long-term financial wellness and help them understand the role a proper mortgage plays in achieving their goals. This

helps them see the mortgage as a key component in their overall investment and wealth portfolio for the future. Doing so can help the borrower feel good about their mortgage, and more comfortable working in tandem with an originator who cares about their long-term financial health.

The focus of a borrower-originator relationship should extend well beyond interest rates, and also allow the originator to prioritize achieving borrowers' goals and determining the unique advice or insight needed to fulfill long-term goals. The best, and only, way to achieve this is to actively listen and develop a relationship founded in honesty, integrity and trust.

Innovative offerings

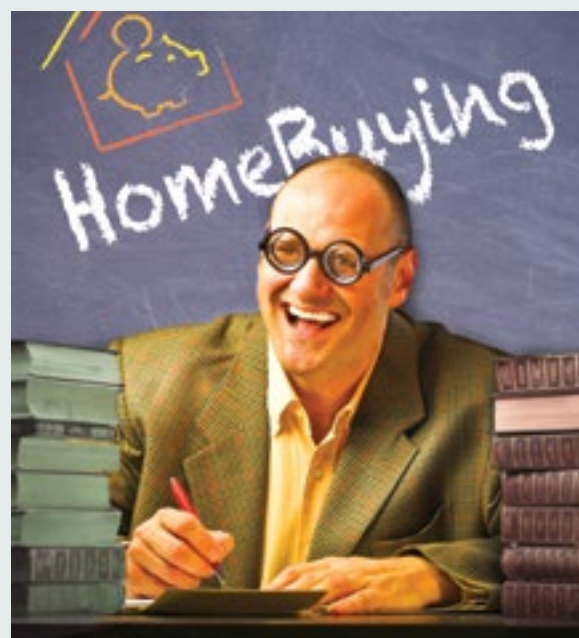
In order to engage borrowers and distinguish themselves in the market, originators and the lenders they work with should offer additional services tailored to assist borrowers in their search for a home. This helps simplify the borrower's journey, and sets the originator up as a trusted adviser — one the borrower can rely upon well beyond closing. Some initial strategies to accomplish this may include:

- **Pre-underwriting** loans to ensure borrowers can close on their home sale quickly and seamlessly.
- **Offering programs** that "lock" borrowers into today's current interest rate for a pre-determined amount of time.
- **Adding homebuyer workshops**, such as eBooks and blogs, to educate members of the community.

Continued on Page 90 >>

Key Points

Rising rates require a new approach to reach borrowers



- **Serve as a mentor to the borrower.**
- **Foster open, honest communications.**
- **Educate the borrower about potential obstacles.**
- **Listen to a borrower's long-term concerns.**
- **Distinguish your business by tailoring services.**
- **Incorporate technology to engage borrowers.**



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■ **Establishing reputable partnerships** with industry partners in the area, including local businesses, wealth advisers and real estate agents.

■ **Designing mobile apps** or technology to help buyers identify homes as soon as they hit the market as well as instantly and securely upload pictures of mortgage documents to share with their lender or vice versa.

Keep in mind also that borrowers are no longer solely interested in the 30-year fixed-rate loan. They are looking for

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products tailored to their individual financial situation. It's the originator's job to help them identify the best loan variation that suits their long-term goals and ambitions. This could mean exploring the possibility of a 15-year loan or a government-insured product.

Matching expectations

As borrowers increasingly rely on technology, originators and the lenders they work with must adjust to customer expectations and also incorporate innovative technology into their strategies for engaging homebuyers. This not only

enhances the relationship with borrowers, but helps originators and lenders specialize the borrower experience.

It can sometimes be difficult for originators to schedule face-to-face meetings with borrowers, for example. Using video-conferencing technology, however, can allow both parties to gain a certain degree of connection and also allows the originator to see expressions and gestures, which offer insight into the borrower's thoughts and emotions.

Online home-search tools allow borrowers to see real-time Multiple Listing Service data, whereas mortgage calculators allow borrowers to run various loan scenarios to get an idea of which is best suited to their financial needs. Likewise, originators can provide highly customized reporting and mortgage analysis tools to carefully walk borrowers through how their mortgage will play out in the future, including offering a breakdown of potential costs.

Even though many borrowers are turning online for digital mortgages, many of them still want to engage with an originator to discuss their questions and concerns. These borrowers are not just looking for an originator to tell them what they want to hear, they want an originator who listens, educates and provides them with quality advice — while also incorporating digital aspects. Introducing technology and modernizing the lending process makes the borrower's experience less stressful and, overall, more efficient.



The mortgage industry is changing fundamentally. As interest rates creep higher, originators have the option to continue with their same old, storied approach, or they can adjust to changing borrower needs and interests. Now, more than ever, originators should bring more value to the table and guide borrowers through the mortgage process with consultative, educational resources designed to foster more meaningful long-term relationships. ■

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