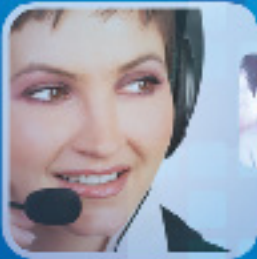


The Keys to New Business— Quality, Quantity & Cost



In This Report You'll Learn:

- How To Make Your Loan Officers More Productive
- Why "Cold Lists" and "Trigger Data" Are Not Suited for Loan Officers
- How Quality, Quantity and Cost Represent the True Value of a Lead Supply Channel



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[DoublePositive Marketing Group](#)

Introduction

The most significant components of most mortgage originators' business models (loosely defined) are Marketing, Sales, and Processing/Administrative. The key to growth is having all three aspects of the business operating perfectly in sync with one another; however, most loan officers and business owners would agree that *Marketing* is the main driver that puts other aspects of the business into motion. Unless you're involved with servicing loans, the mortgage industry does not offer much in the way of recurring revenue or residual income, so finding and attracting net new borrowers is the lifeblood of any mortgage originator.

Thus, it is no surprise that in the mortgage industry, marketing is perhaps discussed more than any other aspect of the industry. Marketing discussions among individual loan officers (as opposed to business owners and marketing managers) almost always revolves around the building of a personal and professional network in order to drive referrals.

With referrals, the borrower is either a direct contact of the originator or the borrower was referred to the originator by a mutual acquaintance. Most experienced mortgage professionals will agree that referrals and networking will always represent the most effective methods for finding new borrowers and nurturing a career. Since the originator is put in a position of being a trusted professional in these scenarios, originators frequently find that the majority of referrals ultimately convert into funded loans. Moreover, there are no hard marketing costs associated with acquiring the new borrower.

Sounds great, doesn't it? Why don't we all just stop there? Well, the truth is that as effective as referrals/networking can be, it takes years to nurture this channel into a self-sustaining and self-perpetuating flow of new business that can keep an originator as productive as they can be day in and day out. In other words, it's tough if not impossible to "step on the gas" to generate more new referrals when you need them, and closing loans in the meantime is imperative.

While working on nurturing their own network and building their flow of referrals into a robust pipeline of opportunities, originators often turn to consumer-direct marketing strategies to supplement their business. There are literally thousands of consumer-direct marketing methods originators may use to find and attract potential new borrowers from the borrower universe.

Many originators have determined, however, that unless *full-time* attention is paid to consumer-direct marketing efforts, the results can be much too costly, not yield enough genuine sales opportunities, or both. Since a full-time commitment to marketing is typically not an option for most individuals or small/medium-size organizations, many will choose to outsource either all or some of their marketing functions.

The outsourcing of marketing functions by mortgage originators has been common practice for decades, and can take on many different shapes and forms, but historically, one of the



most commonly found methods of buying and selling marketing services is at the “per lead” level.

Of course, Internet mortgage leads companies have used this same approach since Lending Tree introduced the model in the early days of the web in 1998. But even before the Internet, telemarketing operations would often bundle list-buying and live call center agent hours and deliver potential borrowers to originators on a “per lead” pricing model.

The performance-based aspect of buying marketing services on a “Per Lead” basis is quite attractive, as opposed to the risk of buying lists, buying media, buying direct mail materials, hiring telemarketers, etc. The problem is in the lack of a standard definition of a “lead.”

How Does The Mortgage Industry Define a “Lead?”

What exactly is a mortgage lead? Well, it depends on who you ask.

ABC Online Mortgage Leads Corp. may refer to a consumer that fills out one of their online forms requesting a free mortgage rate and payment quote as a “lead.” However, XYZ Mega-List Corp., who sells “cold” lists of data of potential borrowers, refers to the records in their database also as “leads.” ABC Online Mortgage Leads Corp. may charge \$50 for one of their “leads” whereas XYZ Mega-List Corp. may charge as low as \$0.01 per record. Obviously, the octane level of these “leads” can be wildly different. Somewhere in the middle is the product offered by the credit bureaus such as Experian and Equifax which is often referred to as “trigger data.” Trigger data identifies the specific consumers that have had their credit report pulled by a mortgage company within the last few days; however, these consumers are in no way deliberately requesting information or requesting contact from another mortgage originator.

Most industry experts do not accept the Mega-List Corp. definition of the records in their database as “leads” since there has been no “expression of interest” by the potential borrower. While more targeted than just a cold list, there is no genuine “expression of interest” by the potential borrowers with trigger data either. But even if we limit our focus to companies that sell leads in which there has indeed been an “expression of interest” by the borrower, the ultimate definition of “Interest” can be quite blurred as well.

I have witnessed endless varieties of both online and offline mortgage leads being sold over the past few years, and all of the sellers of these leads always claiming them to be “the GOOD leads!” However, the majority of mortgage lead buyers have not found effective ways to quantify exactly what “GOOD” means. Moreover, there are endless debates of how to define and quantify “Lead Quality.”

I’m writing this because I have cracked the code. I know the formula that needs to be applied to measure the total effectiveness of any lead supply channel:

- 1. Quality**
- 2. Quantity**
- 3. Cost**

These are three absolute pillars of the leads industry and when each is quantified individually, they collectively represent the true and total value of a lead supply channel.



Weighing Quality, Quantity and Cost

- **Quality** is defined by the total number of leads that will convert into a funded loan and end up *making* money instead of *costing* money.
- **Quantity** is an indicator of whether or not a lead supply channel is capable of providing enough leads to support the business objectives.
- **Cost** is simply the price paid per lead.

No assessment of any lead supply channel is complete without all three of these dimensions. Here are some examples where only two of the three pillars are favorable:

Example A:

1. **Quality** – Extremely high-quality leads that (hypothetically) convert into funded loans 100% of the time
2. **Quantity** – Virtually unlimited volume – thousands of leads available each day
3. **Cost** – The price is \$10,000 per lead

Example B:

1. **Cost** – Extremely affordable leads – priced at just \$1 per lead
2. **Quantity** – Virtually unlimited volume – hundreds of thousands of leads available each day
3. **Quality** – Extremely low quality – on average it will take buying and working through 1,000 leads in order to convert one into a funded loan

Example C:

1. **Cost** – Reasonably priced leads – priced at \$30 per lead
2. **Quality** – On average, one out of ten leads purchased will convert into a funded loan
3. **Quantity** – Despite your desire for more, the max volume of these leads is 1 lead per week on average

As you can see from the examples above, it can be really easy to hit a home run with two of the three pillars, but ultimately end up with an unworkable situation on your hands as a result of a failed third pillar. The true lead-buying optimization process requires a delicate balance of Quantity, Quality and Cost, and it's very difficult to adjust just one of these items without the adjustment directly affecting the other two.



Some mortgage marketers will make the mistake of focusing exclusively on the “acquisition cost” or total-cost-per-funded-loan, and the lower the better. However this measure can be misleading in the grand scheme of things as well. Here is an extreme example to demonstrate this premise:

- Company A purchases 10 leads @ \$100 per lead and converts 1 out of every 10 leads on average into a funded loan, thus experience an average of \$1,000 per funded loan.
- Company B purchases 500 leads @ \$1 per lead and converts 1 out of every 500, thus experiences an average of \$500 per funded loan, half that of Company A.

So the leads purchased by Company B are a better deal right? Probably not, as the human time/cost of pounding through 500 leads in order to close one loan make the entire formula counter-productive. This human time/cost is *your* time as a sales professional and/or sales organization and is extremely valuable; thus it is not surprising that many originators who understand this formula always lean toward the highest Quality (and thus highest priced) leads as they are ultimately a better value and require less time to “sort through the noise.”

A new type of lead has emerged in the past few years that has gone farther and deeper into the lead quality spectrum than has ever been available in the past – LIVE Hot Transfer Lead of double-confirmed and double-verified borrowers. In other words, instead of just paying for a lead that represents a *single* expression of interest by a potential borrower, the lead is contacted, qualified and then transferred live to a loan officer. This is typically the highest priced, highest quality and highest converting lead available, and sales professionals often prefer this approach as they ultimately spend more time selling and less time chasing down potential borrowers, leaving messages, scheduling call-backs, sending emails, etc.



Below is a chart of options that will help clarify the spectrum of quality choices in mortgage lead buying. In order to keep the chart simple and not three-dimensional, we will assume that all the choices below represent sufficient volume for your specific business needs.

	Cost	Interest Level of Potential Borrowers	Conversion Rate	Time Required by Sales Professionals	Best Suited for
Cold List	Typically \$0.01 – \$0.05 per record	None – interest must be created before sales process can begin	Typically less than .0001%	Extremely High	Not suited for loan officers – human cost too high – more appropriate for telemarketers
“Trigger” Data	Typically \$0.50 to \$1 per record	Unknown – A credit pull is not necessarily a request for more solicitation	Typically .01% to .02%	Very High	While better than a cold list, still not suited for loan officers – human cost too high
Internet Lead or Telemarketing Lead (expression of interest by a potential borrower in data form)	Typically \$25 - \$50 per Lead	Varies (wildly)	Typically less than 5%	High	Inexperienced loan officers or sales organizations without strong sales skills and/or competitive product offerings
LIVE Hot Transfer Leads	Typically \$80-\$100 per Lead	Confirmed High-interest	Typically 10% or more	Minimal	High-performance Sales Professionals and Sales Organizations
Referrals from Network	None	Confirmed High-interest	Extremely High – Typically >50%	Minimal	Any and every mortgage originator



Conclusion

Mortgage companies requiring lead generation services are faced with more issues and opportunities than ever. Referrals and networking will always be the preferred marketing strategy for mortgage originators. But if buying leads is needed to supplement referrals while the referral channel is being developed and nurtured, finding the right balance of Quality, Quantity and Cost is the key to finding the right options for you or your organization.

About DoublePositive Marketing Group, Inc.

DoublePositive Marketing Group, Inc. sells leads. DoublePositive sells live leads. We call our live leads Hot Transfers and we are currently the industry leader in the live leads and Hot Transfers space. Our performance-based program offerings are extremely attractive to sales professionals and sales organizations, who use their existing phone system and a simple web browser to buy and receive our LIVE Hot Transfers. We specialize in the live transfers of mortgage leads, insurance leads, education leads, automotive leads, real estate leads, and debt leads. DoublePositive is headquartered in Baltimore, Maryland's high tech waterfront office complex, Tide Point. www.doublepositive.com