

# It's About Customers, Not Commissions

A changing industry requires a change in companies' compensation mentality

By **Dale Vermillion**, founder and CEO, Vermillion Consulting Inc.

EVERYONE LONGS TO OWN A HOME, and everyone longs to borrow from someone who puts them — not the sale — first. This is a simple principle of sales. Unfortunately, it is one that many mortgage brokers have lost sight of in recent years.

If you return to the basics of listening to customers, you can change their lives in a positive way. And they can change your life. How? By buying from you. Not just today, but from now on. And they may also tell everyone they know about you.

So, there is one simple, foundational truth that is the key to mortgage success: Concentrate on your customers, not on your commissions or profits. This is a rule that will work, regardless of market conditions, rates and products.

## Putting it in perspective

Everyone is asking the same question about today's mortgage problems: What is the cause? There are several factors that combined to create the problems we see today. Among them are overly aggressive mortgage

products and programs, loose underwriting guidelines, fraudulent loans and even greedy industry players. One of the factors you don't hear much about is overly aggressive compensation plans.

During the industry boom, tens of thousands of loan officers, wholesale account executives and mortgage brokers made astonishing incomes

originating mortgage loans. Indeed, for most brokers and account executives, commissions-based income has become the standard.

That has not always been the case. A decade ago, it was rare to find companies that compensated on commission. When you did, it was conservative — usually a small incen-

tive per loan for mortgage companies and a maximum 10 percent to 25 percent of revenue for mortgage brokers.

In the past four years, however, incomes and commission plans escalated to all-time highs. And because many people in the industry today were hired during the boom, they now feel entitled to high-compensation plans.

Nevertheless, with today's rate increases, property-value declines, reduction in programs and tougher underwriting guidelines, many brokers aren't seeing that money anymore. It is time to change what we expect. Although there is no problem with commissions for the right reasons, there is a balance that needs to exist between what is fair and what is appropriate.

The good news is that an exceptional originator can still make an excellent income in this market. But it may take a change in philosophy.

Closings are not as easy, and phones are no longer ringing off the hook with borrowers looking to buy or refinance. We're seeing a return to the kind of market where you must earn your keep. Without big profits, you can-

not receive big commissions. It's potentially turning into the kind of market where only the exceptional are paid exceptionally.

The future health and viability of the mortgage industry depends on companies changing their compensation plans to match today's market revenues. We must focus our attention on something other than percentage-based performance. In a business that depends on referrals and repeat clients, commission is not nearly as important as customers. If we can't accept, embrace and adjust to this fact, we might want to find a new career.

Perhaps Thomas Jefferson put it best when he said, "Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude."

## How to achieve success

Here are four practical tips for refocusing your business:

**1. Don't focus on your commission:** If you focus on the commission, not only will it put undue stress and pressure on you, but it will also cause your customers to sense that you are only thinking about your income, not their interests. They will probably take their business elsewhere.

**2. Always focus on your customers:** Your priority should be your customers' well-being. Exceed their expectations, surpass their needs and surprise them with your attitude and service. If you do this, you not only increase your chances of getting the sale, but you could also increase your chances at the repeat sale and the referral sale.

You must adopt a philosophy that allows you to get to know what customers want, not just what they need. Ask them about their retirement plans, college plans, investments, savings plans, major purchases or other life events. This way, you move beyond their immediate needs and identify things they

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## It's About Customers

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want in their life. You show them that you care about their overall financial well-being. No longer does it become just another mortgage transaction for them. Instead of being an order-taker, you become a difference-maker.

Your customers will view you as a trusted source of financial information who is looking out for them. As a result, they'll often recommend you to their friends and family.

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**3. Focus on transactions, not dollars:** Because most originators get paid a percentage of revenue for their commissions, they tend to focus primarily on loan size and corresponding revenue. This is a major-league mistake for numerous reasons.

First, it leads to "elephant hunting." By going for the big loans with the big payouts, brokers not only miss a lot of good medium and small loans, but they never achieve high unit volume. As a result, they can go from "hero to zero," closing two or three big loans one month and two or three smaller ones the next. The transaction volume is the same, but the dollar volume and corresponding revenue are significantly different.

The second major problem with focusing on the big loans is that it can lead to egregious pricing. Greed can lead to compromised integrity and dishonest behavior. This will lead to failure.

Focus on the quality of each transaction instead. If you get in the habit of having many quality transactions, you can make a great income.

**4. Be consistent:** Customer focus requires consistency in working in the customer's best interest. Once you start working for them in this way, you can develop the reputation of being a trusted confidant. This will bring you referrals and residual business.



Because the housing frenzy has stopped and the market has slowed, commissions have deflated back to what they once were in the pre-boom era. As a result, to be successful, mortgage

professionals must go back to the old ways of selling. We do this by finding qualified borrowers, providing inherent value, establishing true relationships, identifying customers' real desires and going beyond their expectations.

If we put our customers first, make them our primary focus and change their lives — all the while not focusing on our commissions — we can win our customers for life. This can lead to referrals and repeat business that ensures longevity in this profession.

Regardless of your compensation plan, you will not only make a great living doing this, but you'll also have the satisfaction of a job well-done. **!**

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