

Never Coerce Your Clients

Offer several options for clients' situations rather than focusing on one particular loan

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

WHEN MORTGAGE BROKERS COM-pel their clients to choose a loan or lender that may not necessarily be the best choice for them, it is a serious mistake. Some may say it's coercion.

To be considered true professionals, brokers should always provide excellence in everything they do. This includes giving borrowers beneficial options to help them choose the best program for their situation.

One of the biggest mistakes mortgage professionals make is imposing their opinions on their clients. Let's look at a common approach: Brokers take an abbreviated mortgage application, spending 15 to 20 minutes to qualify borrowers and find out their basic needs. They pull borrowers' credit, choose a single loan program based on their qualifications and expressed needs, and try to "sell" the borrowers on the deal and gain commitment on the loan offer.

This is where coercion can take place. Brokers try to provide compelling reasons for why borrowers should take the loan, trust their advice and not buy elsewhere. In other words, they try to get them to act without providing choice.

The bottom line is, in these situations, brokers question their clients and then take the role of "loan guru" by offering their advice. To achieve excellence in mortgage originations, however, brokers must be an investigator and a guide.

Here's the right approach to working with borrowers.

Understand their situations

Brokers must first spend ample time asking the right questions to understand borrowers' situations, needs and wants completely. Learn their short-term goals, as well as their long-term fi-

nancial objectives.

This means taking time to investigate borrowers' current situations and future plans, reviewing their credit with them, discussing several loan programs with them, and determining which one best fits their circumstances.

Develop different options

Once you understand what your clients want, develop a series of options for them. Try to provide at least three. These options can include the following:

"Choice is the most important element to excellence and success in a sales presentation."

■ Cash-out and debt-consolidation options:

When taking a rate-and-term-refinance application, consider cash-out for debt consolidation, investment, retirement or college funding. Find ways to help your clients pay off other debts and leverage the payments to provide additional cash without increasing their total payments.

■ **Long-, mid- and short-term options:** Don't just offer the traditional 30-year mortgage. Also provide 15-, 20- and 25-year options as borrowers qualify. Consider their long-term retirement plans and debt-free desires to get them a loan term that really makes sense for their situation.

■ **Fixed- and adjustable-loan options:** Offer fixed- and adjustable-rate loan programs with an emphasis on fixed-rate and fixed-term options. Offer adjustable-rate options only to those borrowers who will sell before the adjustment period

takes place. You never want to sell an ARM on the speculation that they will be able to afford the payments after the rate resets.

■ **Maximum, moderate and minor payment-reduction offers:** When looking at debt consolidation, brokers tend to offer the largest payment reduction available. This, however, usually leads to the longest-term, lowest-cash offer. Although you can include a maximum payment-reduction offer, also include a moderate and minor payment-reduction offer and apply the payment savings you would have created for a shorter-term offer or additional cash.

■ **Different lender programs:** Finally, provide programs from different lenders when possible, laying out the positives and negatives of each, to let the borrowers choose. And always provide the best programs for them, not the loan that provides the best commission.

Present your options

When you have developed the options, present them to your clients. Choice is the most important element to excellence and success in a sales presentation, because everyone wants choice, and it creates buy-in and ownership. When you provide a choice, borrowers own the idea and therefore are committed and settled with their decision. When you do not provide choice, then the idea is yours — not theirs — and they may resist.

By offering options, you change the closing question from "Do you want it?" — which is a 50/50 proposition at best — to "Which one do you want?"

If you want borrowers to be excited about their loan and not get buyer's remorse later, simply give them options.

Use an ascending presentation

When presenting options, use an ascending approach in which each option is better than the previous.

For example, if borrowers applied for a 30-year rate-and-term refinance but mentioned

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they wanted to reduce their payments, get cash for college funds and retire in 25 years, you would provide them two offers initially.

First, you would offer the 30-year loan for which they applied. Then show them an option that reduces the term to 25 years, pays off additional debt to lower their total payments by an even-greater amount and provides them cash for college as part of the loan.

You can then move to a third offer, which may provide either more cash or less term — whichever applies to their situation and qualifications — to present even more choice.

Each offer will get your clients more excited than the one before, until they choose the one they really want. Then you can look at their chosen option in a fixed- or adjustable-rate program, outline the positives and negatives of each, and let them choose the final product.

Finally, show them programs from a couple of different lenders with similar rate structures. This is the kind of selling where you are not telling but asking them which they prefer.



By following these steps, brokers leave the choice completely to their clients. Brokers become guides, not gurus, and customers ultimately choose what they want.

Nowhere in this process do brokers coerce the borrowers to do anything. Rather, they become partners, not providers, gaining their customers' trust and confidence. And most important, they provide a great loan that is appropriate to their clients' situations — a surefire approach to excellence and success. **!!**

Ed. note: This article is the eighth in the author's series of pieces whose topics correspond to each letter in the word "excellence." To view past articles in the series, visit scotsmanguide.com/2944.

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by Dale Vermillion

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