# Playing Catch-Up

WE'VE HAD SEVERAL GREAT years—actually, unbelievable years. Mortgage loan demand was so strong, hardly any of us had any time to even consider customer-retention issues. Perhaps the only casualty during the refi boom was the customer-for-life initiatives. In this column, we'll consider what should have been done during this amazing boom and what we need to do to catch up. With renewed interest in keeping existing customers, instead of dealing with production issues we just might find the needed solutions with technology.

Let's start with data collection. The loan application contains almost every possible bit of information. In fact, what the origination staff collects would be any marketing company's dream. The standard Uniform Residential Loan Application (URLA) contains addresses, phone numbers, ages of children, insurance policies, car ownership, employment information and so much more. In addition, most originators are now collecting the borrower's e-mail address, which opens the door to e-marketing. However, who actually owns this data?

In the case of third-party originators (TPOs), such as mortgage brokers and correspondents, they collect this information. When a TPO sends the loan to a wholesaler, most of this information isn't retained by the wholesaler in a digital form. The TPO has a right to retain this information, and can even legally use this data for marketing other products it sells. The TPOs are generally small businesses, and have done a poor job of retaining this valuable data or doing anything with it. The best I've seen TPOs do is to send birthday cards to the borrower.

TPOs have a big opportunity to market additional products and services. Some are getting rather aggressive at marketing home-equity lines of credit to their customers. Still, this is typically done via a phone call from the loan officer or through direct-mail. Few TPOs have expanded beyond home-equity lines, and yet there's so much more. For example, homeowner's insurance can be marketed. Large lenders like Countrywide Financial Corporation, Calabasas, California, are actively training their loan officers to obtain an insurance license. As such, the loan officers can sell homeowner's insurance during the processing of the loan. After all, every purchase-loan transaction requires a new insurance policy. The borrower finds searching for an insurance company to be inconvenient, and yet the loan can't close until a policy is in place.

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Imagine an e-mail that is automatically generated on every new loan application that discusses homeowner's insurance and offers a one-click solution to obtaining a competitive quote. With e-mail, marketing additional products to borrowers becomes virtually free. TPOs have been database-challenged from the standpoint that they have a difficult time storing all their customer's data over many years. They also need to develop the ability to selectively send e-mail to their entire customer base. Keeping the loan officer's name in front of the borrower is crucial if the loan officer hopes to obtain any future business from the borrower.

The large wholesalers that purchase loans from the TPO can also actively market products and services, and many do. Again, if a loan is sold wholesale to a large loan servicer, the servicer often doesn't store the information. Furthermore, it has no direct contact with the consumer—no personal relationship has been developed. This creates a real dilemma, since the servicer often looks just like another financial conglomerate to the consumer.

Organizations that service consumers' loans must actively begin to develop a relationship with the consumer, and they must do what's needed to collect all of the consumer data (not just what's needed to service the loan). I can imagine a direct phone call when the loan is first obtained. All future correspondence would then have the same customer service representative's name on it as a contact. Consumers could be asked about the use of their e-mail address and encouraged to allow it with the promise of valuable refinance opportunities and other product discounts. A full e-marketing campaign could then be developed, with each e-mail offering advice, house-maintenance tips and discounts from local vendors. I'd bet companies like Home Depot and Whirlpool would appreciate any sort of e-marketing capability with new homeowners. The significant advantage that wholesalers have is their ability to make large investments in customer e-marketing systems because of the large loan volume they handle.

On a longer-term basis, the value of e-marketing and even direct-mail will become a larger chunk of a mortgage company's profits. I believe this will create a pending battle between TPOs and wholesalers. I'm aware of a growing problem with a top-three lender in which it is actively marketing home-equity products to borrowers that were obtained from a TPO. The TPO is sometimes told to "either sell our home-equity products or we'll do it ourself."

We can see the growing conflict as the fight for this valuable consumer data builds. If wholesalers do begin collecting all of the consumer data from the TPO, will the TPO fight back and refuse to sell future loans to that wholesaler? This battle over the data and the marketing rights will become more significant as TPOs finally realize the importance of customer-for-life initiatives.

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Today, the technology is available to easily send e-mail to borrowers. It's also the right time, in that almost every homeowner now has an e-mail address. With so much data about the consumer at our fingertips, our industry is missing out on a great opportunity to e-market. Now that the industry's focus is on customer retention, I expect we'll see more solutions forthcoming that will help build revenue through e-marketing initiatives. The remaining question is who will be more effective at e-marketing—the wholesaler or the loan originator?

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