



Before You Buy: What Mortgage Professionals Need to Succeed with Internet Leads

A Leads360 White Paper

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Executive Summary

With the crash of the subprime mortgage market and the credit crunch, many mortgage brokers are floundering or failing to close loans as easily as they have in the past. As the systems and processes that worked in a hot market no longer produce consistent and predictable returns, many companies have begun to look closely at their options and to reevaluate Internet leads as a primary source of potential buyers. For those previously burned by Internet leads, a desire to “do it right” is driving a careful examination of their purchases and processes. For those who haven’t yet tried Internet leads, stories of poor performance and huge losses make the prospect appear too risky.

But despite the apparent risks, the volume, consistency and potential revenue that Internet leads offer is unmatched by any other marketing method. Because they are expensive and require a disciplined and systematic approach for successful conversion, a business that depends on Internet leads assumes a higher risk than one that continues to work using referrals or other traditional methods such as direct mail or radio and television advertising. Yet, businesses continue to turn to Internet leads because the potential rewards are just too great to ignore.

To utilize Internet leads effectively, many brokers need a new approach that will help them mitigate the risks and ensure success. In this white paper, we describe six strategies to implement Internet leads safely and profitably:

- ◆ Change your thinking—and your business.
- ◆ Research the right leads and right providers for your business.
- ◆ Reeducate your sales force.
- ◆ Implement a lead management system.
- ◆ Determine how best to distribute leads.
- ◆ Become metrics driven.

When a booming market goes bust, those who successfully adapt often ride the next business cycle to even greater success. Today, the opportunity for mortgage brokers to build market share—and wealth—lies with Internet leads. Internet leads connect loan officers quickly and efficiently to potential buyers, without the volume-constrained, time-consuming search for referrals or dependence on unpredictable marketing results. For organized, driven mortgage brokers, who are ready to respond to leads within minutes rather than days, today’s market offers a remarkable opportunity to create a successful business model that will produce outstanding financial results for years to come.

Change Your Thinking—And Your Business

The cost of Internet leads, and their short shelf-life, requires that they be well filtered up front, worked quickly upon receipt, and analyzed carefully on an ongoing basis. They require mortgage companies to invest significant financial, technological and human resources in new systems and processes. Using Internet leads also requires that a company embrace an entirely new model for doing business and create enthusiasm and incentives for the new approach from the CEO down to the lead-qualifying staff.

If you're already making money, why change?

- ◆ **The mortgage business continues to change.** While the traditional referral model continues to work for some brokers, it offers limited growth. It is dependent on loan officers' personal networks, relatively expensive and unpredictable advertising, and the economic conditions of local markets. Given the volatility of the mortgage industry, mortgage companies must adapt—they must get more creative about how they find qualified borrowers. They must become more rational and systematic in their approach.
- ◆ **Internet leads provide stability.** If the housing market slumps in Georgia, the traditional referral-based brokers in Atlanta also suffer. Brokers using Internet leads, however, can turn their attention to borrowers in booming corn-belt states or California with the flick of a filter.¹
- ◆ **Internet leads offer growth opportunity.** There is no other lead generating method that allows mortgage brokers to make more money, more quickly, and more consistently. Their sheer volume provides potential for growth unmatched by referrals, easily allowing mortgage companies to add multiple loan officers cost effectively.
- ◆ **Internet leads are predictable.** Unlike traditional marketing avenues, the flow of Internet leads is steady. Each mortgage company contracts with a lead provider to receive a specific number of leads that meets its needs. There's no waiting to see if a direct mail piece was delivered, no uncertainty about the volume of responses to an ad, and no need for loan officers to explain who they are when they follow up on a lead. (In fact, often the leads are so fresh that the individual is still on the referring website when the phone rings.) If they are worked right, Internet leads are the easiest way of matching customers with the loans that they need.

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Research the Right Leads and the Right Providers for Your Business

All leads are not created equal. The best leads for you are the ones that are actively looking for the mortgage products you offer. Internet leads are too expensive to waste your money on those that don't qualify for your products, or are simply window shopping. Receiving high quality leads depends on working closely with a reputable lead provider—and that requires some research.

When you're researching lead providers, start by identifying the right kinds of Internet leads for your business. The quality, cost, and suitability for your business depend on the methods used to generate the leads.

- ◆ **High-quality SEO leads:** Typically, the highest quality and most expensive leads are generated by active mortgage seekers typing in a key phrase and then clicking on the websites that pop up in their search. These search engine optimized (SEO) leads are, therefore, often potential buyers with real motivation who have already taken some action to refinance or find a mortgage.
- ◆ **Mid-quality leads from Internet ads:** Other leads are generated by placing Internet ads with teaser headlines that encourage people, who may or may not be actively looking for a loan, to click on the ad. These media buys can produce good leads, but often provide more inconsistent results than SEO leads.
- ◆ **Lower quality from aged lists:** The lowest quality and cheapest leads have been purchased by the lead provider from someone else, who has already sent them to your competitors. While incredibly cheap, these leads are typically at least 30 days old and have a much lower conversion rate, making them costly on a per-closing basis.

Lead Pricing

Type of Internet Lead	Industry Average Price per Lead
Exclusive leads (sold to no one else for 30 days)	\$80
SEO leads (sold to four or five companies simultaneously)	\$40-50
Mid-quality leads (sold to four or five companies simultaneously)	\$30-40
Aged leads	\$1 and up

What profit can you earn on Internet leads? Using the prices in this chart and some basic information, calculate your profits now at www.leadswork.com.

To identify the best lead broker for you, do some Internet research, read blogs, make phone calls to other people you know in your industry segment and find out who they use. Once you've identified a handful of well recommended lead providers, call them and ask how they do business:

- ◆ Find out who else receives the leads you would. Quality leads attract quality companies.
- ◆ Learn how many companies receive the same leads at the same time. This is often referred to as the number of times that a lead is sold. Most providers sell their leads to four companies at once; the largest providers may sell to five companies. Some offer "exclusives," which give the buyer 30 days before the lead is resold to anyone else.
- ◆ Ask whether the company recycles leads from others, and how it generates its leads.

Good lead brokers want you to succeed and will invest the time to help you.

- ◆ See how willing the provider is to help you with formal consulting services or informal advice. Good lead brokers want you to succeed and to keep buying leads from them, so they will invest the time to help you to establish the right structure and understand the process.

Once you have found a lead provider that generates appropriate leads and is interested in building an ongoing partnership with you, monitor the leads and communicate with the lead provider to ensure that the leads you receive are the ones best suited to your offerings.

- ◆ Arrange to get leads only when you're able to work them. For example, if you're in Boston, the leads you receive at 7 p.m. will have been worked thoroughly by West Coast brokers by the time you get into the office the next day. Ensure that your leads are delivered only when your sales team is ready to make contact.
- ◆ Make sure you're getting the right leads for your products. If you're in the subprime space, you don't want to receive leads who would qualify for loans from a major bank. If you have a specialty, let your lead providers know.
- ◆ Review your geography filters. If you just want to make loans in Illinois, see that you're not getting buyers who want to refinance in California. If you don't want to make loans for agricultural real estate, exclude rural zip codes. Analyze your results. If some areas are working better for you, buy more leads from those areas.
- ◆ Ask for notification about how groups of leads have been generated, so you can determine which lead generation method produces the best leads for you—and buy what is working well.
- ◆ Seek the provider's advice about effectively using its leads to improve your conversion rate. Lead providers want you to excel and grow your business. Don't be afraid to ask for help.
- ◆ Tap into the provider's experience and expertise on systems, setup and distribution, so you can hit the ground running and start making money right away.

By working with the quality lead generators in your market, you can set filters that will enable you to obtain the leads most likely to be suitable for your products, located in the markets you want, and interested in closing soon.

Buy the Leads that Meet Your Needs

Yes	No	Have you determined:
		Are you willing to pay a premium for exclusive leads to avoid competition?
		Are you structured to compete successfully against three or four other companies calling your leads at the same time?
		Would you rather invest your marketing dollars in less expensive aged leads to target a larger volume of potential customers?
		Have you defined your geographic market?
		Do your leads want and need the products you provide?
		Are you staffed to start calling leads as soon as they are delivered?
		Do you know how the leads are generated?
		Are you tracking which sources and kinds of leads work best for you?
		Are you able to refine your filters and work cooperatively with your lead provider(s)?

A good Internet lead needs to be reached within a few minutes.

Reeducate Your Sales Force

Committing to growing your business with Internet leads means making significant changes to how your loan officers work. Educate them on the differences between referral leads and Internet leads, and on how your expectations and ways of measuring their performance will also change:

Competition Is Fierce

Unlike referrals from friends and neighbors, Internet leads are impartial and fiercely competitive. Three or four other companies will receive a lead at the same time you do and each of those leads will likely receive 20 calls in the first hour it is distributed. With SEO leads in particular, the first one to call often gets the business. With that volume of calls, most leads will have made a decision within three days.

Minutes Matter

As a result of competition, the most important metric for you and your brokers is speed to first contact. A referral could be contacted in the next day or two, but a good Internet lead needs to be reached within a few minutes of submitting information on the web.

It's All About the Numbers

On the flip side, few brokers have the number of referrals that could compete with a good Internet lead program—150 calls per day per loan officer is not only possible, it's expected by many successful mortgage companies that use Internet leads.

Brokers Need a New Script to Educate Potential Buyers

What the broker needs to say to the lead is different, too. Establishing trust during the first conversation is just as important with an Internet lead as with a referral lead, but Internet leads also need more education about the process. For example, most leads have no idea that they will be besieged by calls—and once the phone starts ringing, they have little idea what to do next. Your brokers can help their leads and increase their closings by educating the potential buyers on the phone. Let them know about the volume of calls they will receive. While only four companies may have gotten their name and contact information, each of those could have multiple sales people trying to reach them—and each of them may try to pull a credit report. Give your brokers the information they need to educate the buyers they contact—you'll distinguish them as helpful and honest, and increase your closing rate.

Some brokers will thrive in the increased competition of working with Internet leads and prefer the focus on closing sales to traditional lead farming and referrals. Others will simply not want or be able to change. Look for high energy new hires and forget about their personal networks. Communicate your expectations clearly. Measure your results. Expect turnover. *Be Ambitious.*

Implement a Lead Management System

Time is *not* on your side with Internet leads. Familiar methods of managing leads—using spreadsheets, email, and manually generated reports—take too much time.

To be effective, management needs to distribute leads even faster than the sales force needs to call on them, which means that an automated lead management system (LMS) is a necessary part of an Internet leads program.

There are several excellent lead management systems available that work well for mortgage companies. To evaluate which one will work best for you, start by determining your needs and processes.

Checklist for Selecting a Lead Management System

Yes	No	System Characteristics
		Will you want consulting services to help adapt an LMS to your business?
		Does your LMS provider include the necessary training on how to work Internet leads with the system?
		Does the system allow you to select different methods of distributing leads?
		Do you have options for monitoring loan officers' activity and performance?
		Can the system generate the reports you need, and help you do the complicated analysis that is necessary to succeed?
		Can you create and customize reports as your needs evolve?
		Does the LMS integrate with your loan origination system?
		Will the LMS integrate with your business process and workflow?

Ask LMS providers for their recommendations. See if they will consult with you on creating the best processes that will maximize your results.

Distributing leads quickly makes the difference between success and failure.

Determine How Best to Distribute Leads

Distributing leads quickly and ensuring follow-up makes the difference between success and failure with Internet leads. Most mortgage companies choose one of two approaches to distribution: they either send all leads directly to the loan officers, or they send them first to a qualifying team to contact and transfer hot leads.

Direct to Loan Officer

In the “direct to sales” approach, the LMS can be set to do most of the routing, with or without the oversight of a manager:

- The lead comes in from a provider on a batch or real-time basis.
- The lead is then routed automatically to the appropriate loan officer.
- The new lead shows up on the loan officer’s screen.
- If the loan officer doesn’t act on the lead in a set number of minutes, the system reroutes the lead.
- Alternatively, a sales manager can receive the leads, route them to loan officers, and oversee their disposition with the help of automated monitoring.

Qualifying Team

The second approach inserts an additional group, which qualifies the leads.

- The lead comes in from a provider on a batch or real-time basis.
- The new lead shows up on a qualifying team member’s screen.
- The qualifier calls the lead and asks a few questions.
- If appropriate, the qualifier passes the live lead over to an available loan officer immediately.

The LMS can reroute leads within minutes and track number of calls and number of closes automatically.

This second method takes the cold calling and qualifying steps out of the sales team's responsibilities and leaves them with one job only—closing sales. Leads that need additional nurturing or require follow-up can be either handled by sales, referred to customer service representatives, or noted in the LMS for automated or personal follow-up at a set time.

With either approach, the LMS can be monitored to make sure that the loan officers or qualifiers are working the leads quickly, by rerouting leads within a set number of minutes, and tracking number of calls and number of closes automatically. Using a lead management system permits daily or real-time analysis of calls and conversions, individual performance, and success by lead source.

Become Metrics Driven

Any good LMS will produce reports that allow you to measure performance. With Internet leads, watching the metrics is critical to success. Focus on key milestones that will demonstrate consistent, repeatable return on investment. The most important of these are:

- ◆ **Speed to initial contact:** For greatest success, you want to have a high percentage of your leads contacted in the first few minutes after you receive their information.
- ◆ **Contact percentage:** If leads are coming to you real-time, the potential borrower is waiting for your call or talking to your competition. Good internal processes and fast initial contact will increase your contact percentage. The more prospects you talk to, the more money you can make.
- ◆ **Application rate:** According to Forrester Research, 75% of online prospects complete their applications offline. For those leads, the opportunity to talk to a person who can validate their decision, offer assistance, and reassure them about the security of their personal information is critical.²
- ◆ **Conversions to loans:** Ultimately, to make money, leads and applications must turn into contracts and loans. If you have the right product for the leads you receive and provide the assistance the borrowers want, you'll increase your conversion rate.
- ◆ **Profitability by lead:** In today's market, a cost of \$1800 per funded loan is considered good; \$1200 per loan is excellent. The most successful companies are spending just \$1000 per loan, and dropping millions of dollars to their bottom line.

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These metrics can be tracked by loan officer, lead provider, team or company and will give you the key information you need to fine-tune training, adjust your distribution system, review your filters, evaluate lead providers, and continue to increase your success with Internet leads. To use the data most effectively, designate a company champion who is responsible for ensuring that your processes are followed and refined. In conjunction with management, this champion should also identify and implement the changes needed within the organization and supporting systems to continually increase the conversion rate.

Prepare to Succeed

The bottom line is this: you can do what you've always done—hoping that the market stabilizes—and get the results you've always gotten. Or you can switch to Internet leads and gain power and flexibility, regardless of market conditions.

There is no secret to success with Internet leads, but there is a science. Using them successfully requires organization, commitment, drive, and a willingness to change.

For the best results, focus on buying quality leads and adhere to a systematic approach to working them. Then, monitor performance to reach established goals. By following these steps, mortgage companies can regularly and predictably achieve a 1.5% minimum conversion rate. With careful monitoring of the critical metrics over time, companies can achieve a close rate of 6% or greater and nearly endless revenue growth opportunities. Shoot for at least 1.5% as that typically provides a positive ROI on your leads.

Volume, speed, structure and consistency are the core characteristics of the new business model. Successful brokers will adopt this model to succeed through the end of this decade and into the future. Internet leads will drive these companies to new heights—and their slower competitors into bankruptcy.

¹ Brokers must be licensed in the states where they sell mortgages.

² Forrester Research Teleconference: *Online Mortgage Shoppers' Paths to Purchase*. Brad Strothkamp, Senior Analyst; September 8, 2006.

About Leads360

Leads360 is the market and technology leader for on-demand customer acquisition and lead management solutions. Leads360's enterprise lead management application, LeadManager™, enables companies to more effectively distribute, track, analyze and convert sales leads into profitable customers. LeadManager™ is the only solution that enables companies to build and manage a completely custom lead management workflow based on their unique best practices. Combining technology expertise with professional services, training and process consulting, Leads360 provides the industry's most cost effective solution for taking sales leads from start to close. For more information, please visit www.leads360.com.