Leveraging Digital for Smarter Referral Strategies

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Introduction

As interest rates rise and the purchase market solidifies, many lenders are looking for ways to increase revenue, build efficiencies, and better serve borrowers.

One way lenders and their LOs can ensure all three is by going back to basics – nurturing relationships and prioritizing referral strategies. And, they can set their loan officers up for success by implementing seamless, mobile-first digital solutions that make referrals painless.

Without a doubt, homebuying is, and always will be, a deeply human endeavor, which requires collaboration among many different parties. The mortgage and real estate industries are ones that are built on relationships and trust, and digital capabilities are only making this more apparent. The right mortgage tech will not replace relationships, but rather, can serve as an effective method for building and maintaining them.

Thriving in a Challenging Market

The current market is much different from the one mortgage and real estate professionals saw during the COVID-19 pandemic. Rising interest rates have made it more expensive to originate loans, and general inflation has caused many would-be buyers to hesitate on home purchases. Additionally, low inventory and a record drop in home prices are adding to lenders' difficulties.[1]

The last two years saw a red-hot market characterized by low interest rates and high levels of refi volume. Fannie Mae reports that in 2021, refis accounted for $2.7 trillion, while the GSE now estimates that in 2022, refis will account for only $731 billion of mortgage volume. [2] With rising interest rates, the market has decidedly shifted from refi to purchase, but many lenders are still feeling the pinch. One report notes that in Q2 2022, total loan production expenses climbed to $10,937 per loan. For context, loan production expenses have averaged $6,829 over a 14-year period.[3]

Now, lenders are doing less volume and are contending with compressed margins and overall labor costs. As a result, they're facing intense competition and are seeking ways to stand out, generate more revenue, and give their LOs better tools for success. In essence, lenders must return to proven methods, such as referrals, to thrive. Relationships have always played a key role during purchase markets, and now, lenders will benefit from strengthening their referral strategies and focusing on earning trust, providing transparency, and delivering expert guidance at each stage of the loan transaction.

While the current landscape is challenging, lenders still have realistic options to succeed. That's why having a referral strategy to leverage existing relationships and build new ones is crucial. One Hubspot study notes that across industries, referred clients have a 30% higher conversion rate, and that referrals account for 65% of a company's new business, on average. What's more, 92% of consumers trust referrals from people they know.[4] Clearly, mortgage lenders have a lot to gain by capitalizing on current relationships and building new ones.

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Building Relationships in the Modern Era

For many lenders, the days of exclusively using business cards to encourage referrals are past. Now, digital advancements across all industries and sectors have changed how we communicate and build relationships. And since so much of the homebuying process can be completed with digital tools, it's crucial that lenders use technology to meet the expectations of their clients and partners. Digital solutions are no longer an exception. They are the rule.

Take, for instance, the fact that 68% of homebuyers reported using some type of technology during the homebuying experience, and that 74% of those used tech to research property listings online. Another 28% report using online tools to research recommendations for mortgage professionals and real estate agents.[5] Consumers are accustomed to ordering food, paying bills, and scheduling home repairs with the convenience of a mobile app. It makes perfect sense that now, borrowers leverage and expect that same seamless technology when searching for a new home. And while borrowers are certainly using tech to navigate the homeownership journey, they still value relationships. In fact, nearly half consult with their real estate agent for advice throughout the process. [6]

Real estate professionals are even reaping the benefits of having a strong social media presence. Over half of real estate agents believe that social media is now more important than a website for marketing and outreach efforts. [7] Particularly savvy professionals are creating content for platforms like TikTok, Instagram, and YouTube, ensuring their content is accessible and wide-reaching. In one survey, 64% of real estate agents noted they received more clients from social media in 2021 than in 2020.[8] This is a telling statistic considering Millennials, a generation well-versed in social media, are entering their peak homebuying years.

Across the board, lenders, real estate professionals, and borrowers are taking advantage of new kinds of technology to make the homebuying process easier. Using digital solutions to cultivate relationships can help lenders reach more referrals while strengthening their brand. In the age of digital mortgages, digital referrals can be intuitive. Tech isn't replacing relationships. It's merely providing another avenue for building important connections.

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Leveraging Connections with Real Estate Agents

In a purchase market, and particularly during low-volume periods, it's imperative that lenders build strong relationships with real estate agents. A 2021 study conducted by the National Association of Realtors (NAR) found that 87% of buyers recently purchased their home through a real estate agent or broker. [9] What's more, another survey reported that 96% of lenders say real estate agents are one of their best sources for generating referrals.[10] Clearly, cultivating relationships with real estate professionals can be a lifeline for lenders.

But how can LOs get back into the swing of relationship-building after a refi-heavy two years? They can start by considering how to best increase their visibility with real estate agents in their networks. Reaching out to local real estate professional associations for information on upcoming events and ways to volunteer can be a particularly fruitful first step, as 42% of loan officers note this is one of their top strategies. [11]

And while it's important to make new connections, it's even more critical to maintain them. Eighty percent of real estate professionals consider efficient communication and responsiveness the most important skill when working with lenders. [12] Good communication builds trust. Lenders who proactively communicate with their partners and respond promptly to questions show that they're invested in teamwork and finding solutions. This includes being honest about and accountable for any mistakes or challenges that arise.

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Lenders should also be knowledgeable about their loan products, and make sure what they're offering is what the real estate agent actually needs. Doing research and understanding what kind of clientele the real estate agent works with will help LOs determine which loan types are appropriate. Since LOs are the mortgage experts, they can consider ways to educate their partners on niche products or creative financing. This way, real estate agents can point their non-conventional borrowers to the lenders best suited to serve them.

Better Borrower Experiences for Greater Retention

Lenders who nurture relationships with their borrowers see better retention. When borrowers receive a convenient, seamless homebuying experience, they feel that they have more control over the experience, and they have more trust in their lenders who are facilitating the process.

Unfortunately, the mortgage industry generally sees low retention rates, with one study showing that lenders retain fewer than 20% of past borrowers. That means that four in five borrowers will get their next loan from a different lender. [13] With the average American taking up to 11 mortgage loans in their lifetime, that's a lot of missed opportunities. [14]

The reasons why borrowers choose new lenders can vary. For some lenders who lose out on repeat business, it's a matter of bad timing or not enough follow-up after the loan has closed. A competitor may simply approach a borrower at the right time, thereby beating the previous lender to the punch.

Or, other competitors may have robust marketing strategies and build more visibility among homebuyers, so when someone is ready to buy a new house or refinance, they turn to the brand that is most familiar. If the prior lender does not do enough outreach to their past clients, borrowers may forget their name or contact details. In fact, since so many years can pass between one mortgage to another, some borrowers may be unsure if their prior lender is still in the business, or if they've moved to a new company. It can be hard for borrowers to track down a previous lender, even if they had a positive experience, if they simply don't know where to look.

In other cases, the borrower may walk away from the mortgage experience feeling frustrated, meaning they may seek out a lender next time who they believe has more experience. This may be especially true for younger borrowers, who tend to have less trust in lenders and are generally newer to homebuying. In fact, two out of three NextGen homebuyers note that they don't trust lenders, and a quarter of NextGen borrowers say that lack of understanding of the mortgage process is their biggest challenge when buying a home.[15] If these borrowers feel that the homebuying process was especially difficult or confusing, they may turn to a different lender in the future.

To navigate these issues, lenders can ensure they educate their borrowers – especially first-time homebuyers – about the many steps of the mortgage process. In this way, they convey that they are true experts and that they can anticipate their borrowers' questions and concerns ahead of time. Lenders who are responsive and thorough build confidence with their borrowers, meaning that they're more likely to leave a positive impression. Plus, educating borrowers can make the process go more quickly and smoothly, especially at closing. If borrowers know what to expect, they can be prepared.

When borrowers feel supported during and even after the mortgage process, they're more likely to return to that lender. They're also more likely to pass along referrals – 54% of homebuyers reach out to friends and family for insight before embarking on the homebuying process. [16]

Collaborating with Settlement Staff

In addition to real estate agents and borrowers, it's also important to build strong relationships with settlement and closing staff. Fostering these connections can help lenders execute smoother closings, which is beneficial to all parties in the homebuying process. It's also crucial to maintain these relationships because title and settlement staff often have close relationships with real estate agents. Lenders can tap into this network to meet new real estate professionals, thus expanding their reach.

The Digital Component

As digital experiences pick up steam in mortgage, it's essential that lenders successfully meld the human component with technological advances. Digital mortgages solutions have the capacity to increase productivity, ensure better data security, and simplify workflows across the mortgage process. And of course, the ideal digital platform lets your LOs create lasting relationships at the same time.

Luckily, nCino Mortgage has digital solutions to help lenders build a strong referral strategy, all through their smartphone. With the right digital toolkit, your loan officers can build productive partnerships and capitalize early on pre-application borrower touchpoints to convert more leads to closed loans.

The Personal Touch

Loan officers enjoy the convenience that comes with our mortgage tech, but how can they ensure their relationships feel authentic in the digital realm?

Personalization is the key to nurturing those one-on-one connections. With nCino Mortgage and it's collaborative mobile app, lenders can incorporate their brand into the app, online portal, and online mortgage loan application. Lenders can customize these tools to include bios, photos, and contact info, so your borrowers always know how to reach you. And real estate agents get the same opportunity to personalize their collaborative version of the app. This means that the logos, brand colors, fonts, and messaging unique to each party will stay consistent throughout the homebuying process. This also ensures that relationship-building feels natural and genuine, rather than disconnected and awkward.

Mobile Collaboration Matters

A shareable mobile app also means that borrowers gain access to important capabilities, such as an integrated home search and mortgage scenario calculator. This way, the potential homebuyer can easily explore available properties using the real estate agent's collaborative app, without necessarily engaging with the lender yet. And using the calculator, they can quickly research mortgage scenarios to match their budget from their mobile app or web dashboard.

Plus, a shareable mobile app makes it even easier for all parties to communicate. Lenders can send push notifications to borrowers, ensuring they review, sign, and submit documents as needed. This means borrowers feel supported and have more visibility into the process, and LOs can flag possible errors sooner than later. And if borrowers keep the app on their phone after closing, that's even more referral potential for LOs.

Looking Ahead

Having a referral strategy in place in a purchase market is critical, and lenders who leverage a tech stack that makes those relationships intuitive can reap the benefits. By bringing together borrowers, partners, and loan originators in a single digital platform, your team becomes part of a personal, trusted home-buying experience. Partners develop confidence that the lender is as committed to finding the right solution for the borrower as they are. And your loan originators see fuller pipelines, higher pull-through rates, and long-term, high-value relationships with borrowers and partners alike.

Get started today - It's simple.

contact@ncino.com

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