

Change or Die: 7 Critical Skills for the 21st Century Mortgage Professional



“Do You Feel Lucky?”

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Suppose your doctor told you that if you didn't change your lifestyle, you would die in six months. What would you do?

Most people *think* they would make the necessary changes, but they would be wrong. The medical profession has done the studies, multiple times, and what they've found is that people in this situation will *try* to change their habits but, within 2 years, 90% of them slip back into their old ways.



If this is true of people facing the prospect of death, what does it say about your chances of making substantive changes if the only thing at risk is your income level?

What if you know that the way you approach marketing yourself and managing your loan origination business is taking you in the wrong direction?

In other words, if you know that you've got to make changes in your work habits, or risk declining income, how do you get yourself to change *those* habits when 9 out of 10 people who are faced with the much more serious threat of dying can't make changes to save their own lives?

The odds are 9 to 1 against you. As Dirty Harry might say, "Do you feel *that* lucky?"

There *is* a way to motivate yourself to change old, unproductive work habits and behaviors. But it has nothing to do with luck or "will power".

In a 2005 article in *Fast Company* magazine, Alan Deutschman reported on studies of patients suffering from heart disease caused by lifestyle choices like smoking, poor diet, being overweight, and lack of exercise. The studies all showed that when told that they would die if they didn't change these behaviors, most people got "scared straight", and resolved to do better. But within 2 years, **90% of them** had returned to their old unhealthy lifestyles.

The point: **Fear does not work well as a motivator over the long term.**

Deutschman also wrote in the same article about the work of Dr. Dean Ornish, a professor of medicine at the University of California San Francisco, and founder of the Preventative Medicine Research institute in Sausalito. Ornish developed a holistic approach to treating heart disease patients that involved the use of a

low-fat vegetarian diet, smoking cessation classes, a support group led by a psychologist, and instruction in meditation, relaxation, yoga, and aerobic exercise training. He published peer review studies showing that this approach could reverse heart disease without surgery or drugs. But the medical establishment was understandably skeptical that people would be able to sustain these lifestyle changes. So Ornish persuaded Mutual of Omaha to pay for a trial on 333 patients with severely clogged arteries. Three years later, 77% of these patients had stuck with their lifestyle changes. As a result, they did not need expensive bypass surgery or angioplasty procedures (and Mutual of Omaha saved about \$30,000 per patient).



Why did these people overwhelmingly succeed in making momentous changes in their habits of daily living - the kinds of changes most of us would regard as requiring significant amounts of discipline and will power?

What makes the success of the patients in the Ornish study even more amazing is that the heart patients in the traditional medical studies - the ones in which there was a 90% failure rate - merely had to take their prescription medication every day and avoid certain foods known to clog arteries. The commitment was far less rigorous than the one Ornish required of *his* patients - and yet 9 out of 10 of them failed to do it, knowing that their failure could very likely kill them.

Ornish's theory was that people who smoke or overeat and don't exercise are doing so as a way of coping with their emotional problems. So the prospect of giving up these distractions was unappealing. As he put it, "Telling people who are lonely and depressed that they're going to live longer if they quit smoking or change their diet and lifestyle is not that motivating. Who wants to live longer when you're in chronic emotional pain?" He added, "Joy is a more powerful motivator than fear."

Ornish also believes that dramatic, comprehensive changes are easier for people to sustain than small, incremental ones. His radical program produced quick, impressive results, with patients reporting a 91% decrease in the frequency of chest pain in the first month. He explained, "These rapid improvements are a powerful motivator. When people who have had so much chest pain that they can't work, or make love, or even walk across the street without intense suffering find that they are able to do all these things without pain in only a few weeks, then they often say, 'These are choices worth making.'"

How Can We Apply This to Your Business Life?

Are the problems you're facing right now as a loan originator as dangerous to your career and income as a heart attack would be to your health? Let's look at just a few recent developments:

- When you submit a loan, what new challenges do you face in the underwriting, appraisal, and closing process - and how much time do you have to spend trying to solve these problems, and how will it all affect your reputation for competence with real estate agents and clients when you're unable to get a transaction to the closing table?
- What new regulations have/will come out to make your job more difficult?
- There are news reports that the Dodd-Frank Act will require home buyers to make a 30% down payment in order for their financing to qualify as a "qualified residential mortgage", or QRM (as an alternative to lenders having to have "skin in the game" - by owning a percentage of the loan. How would that affect the pool of qualified buyers?
- Freddie and Fannie have both announced that they will raise fees (effective in March and April, respectively) on loans with higher loan-to-value ratios. These upfront fees will raise the cost of the loan by as much as 0.75% of the loan's balance. How will that affect your business?
- The government's unwillingness to seriously address the National Debt and the Fed's policy of "Quantitative Easing" (that's French, by the way, for "we're gonna print a lot more money and reduce the value of the money you have") are sparking inflation fears and causing increasing volatility in the Bond Market. I am not aware of any credible expert who does not believe this will lead to continued higher mortgage interest rates. How will that affect your business?
- And if all of the preceding were not enough, the compensation piece of the Dodd-Frank Act will significantly change the way most loan officers

are paid. While there are some relatively minor differences in the ways that some mortgage companies will be interpreting these new rules, the net effect seems to be that if a loan officer wants to simply maintain their standard of living, he or she will need to do more volume. The revenue you generate on a loan will no longer be a direct factor in your compensation.

- Any one of these developments would be reason for concern – and not just for loan originators. I will have a new report coming out soon that examines the irony in the fact that 90% of the problems we experienced in the creation and the subsequent bursting of the housing bubble were actually caused by government policies and interventions in the free market. The irony is that the politicians who created these problems have somehow managed to deflect the blame onto the mortgage banking and real estate industries, and have responded to the problems *they created* by adding massive new layers of regulation which threaten to all but destroy the market for home ownership.

Is any of *that* serious enough for you?



There are two important ideas from Dr. Ornish's study that have significant applications for you and your business:

1. **Joy is a much more powerful motivator than fear, especially over the long haul.**
2. **Major, comprehensive changes are easier to sustain than small, incremental ones, because they are more likely to break up old and unproductive habit patterns, and because they are more likely to produce positive and immediately measurable changes in results, which serve to reinforce the new behaviors.**



You can see the validity of the first idea (that joy is a more powerful motivator than fear) just by looking at your own experience. It is hard-wired into your biological programming to seek pleasure and avoid pain.

Certainly it is sometimes necessary to *delay* gratification – to work for a longer period of time at achieving a big goal in order to get an even bigger payoff. But 20 years of coaching has taught me that the people who find a way to have fun with their work every day are much more likely to stick with it for as long as it takes – just as the people who find a way to have fun with their workouts are more likely to stick with a commitment to go to the gym 4 times a week.

One way to do that is to take pleasure in little victories or accomplishments. When you call a lead or prospect and get the appointment, take a moment to celebrate the win. Enjoy the moment whenever you have a good meeting or

conversation with a client or referral partner, when you succeed in getting a tough loan approved, etc.

It also helps to be able to tie your daily work activities to a cause bigger than yourself - whether it's supporting your family, helping people to buy a home of their own and move closer to financial independence, or creating your own wealth so that you'll be in a better position to contribute to others - it is much easier to find the joy in life when you are not focusing exclusively on your own personal, petty needs and desires. I'm reminded of Dr. Albert Schweitzer's advice to the graduates at a university commencement speech:

"I don't know what your destiny will be, but one thing I know: the only ones among you who will be really happy are those who have sought and found how to serve."

It can be a little harder to embrace the second idea (that major, comprehensive changes are easier to sustain than small, incremental ones); it can seem a little counterintuitive. Isn't it harder to make a lot of big changes at once - and easier to change one little thing at a time?

You might think so, but the evidence from the Ornish study is pretty clear. And if we apply it to your business life, the argument goes like this: **If you're in a rut and you can't seem to get any traction in your business, small changes are going to produce small results, and small results are not going to motivate you to persist with the changes you're trying to make.**

Whatever you have done up to now in your work life has gotten you to where you are today - the good and the bad.

Maybe you have changed your strategies and work habits over time (and maybe you haven't), but one thing is certain: the *environment* in which you operate *has changed dramatically*.

- **From a high of about \$5 trillion in 2003, mortgage loan volume has shrunk significantly. Total volume in 2010 was about \$1.5 trillion. In other words, our industry, in 7 years, has shrunk to about 30% of its former size.**
- **Real median home prices (adjusted for inflation) have fallen more than 36% in the last 3 years -- from a high of \$264,650 in the first quarter of 2006 to \$169,000 in the first quarter of 2009 (with no solid indication yet that we have hit bottom).**
- **Mortgage loans are much harder to get approved, and entire product lines have disappeared. Hundreds of major U.S. lending operations (and thousands of small broker firms) have gone under since the end of 2006.**

We're talking about the equivalent of major heart disease for an entire industry. I don't know anyone who has been unaffected by the events of the last 5 years, but I am working with clients who have responded to the challenge, have made some major changes in the way they do business, are holding their own today, and are building the foundation for a brighter future.

If you aren't completely satisfied with your performance and results these days; if you're concerned about your future in the mortgage industry, I have some recommendations for you that are along the lines of the Ornish approach to heart disease. Remember the message of "Change or Die" is this: Your chances of sustaining positive lifestyle/workstyle changes over the long run are much, much better if you undertake major, comprehensive changes, instead of tweaking little things here and there. Why? Because major changes are more likely to produce faster, more significant results that you can see fairly quickly, so you'll be much more motivated to *sustain* the effort over time - because it will be *fun*.

Remember the old *\$6 Million Man* TV show about the astronaut badly injured in an accident who was transformed into a Bionic Man? What I'm saying is: "We can rebuild you. We have the technology. We can make you better, stronger, faster."

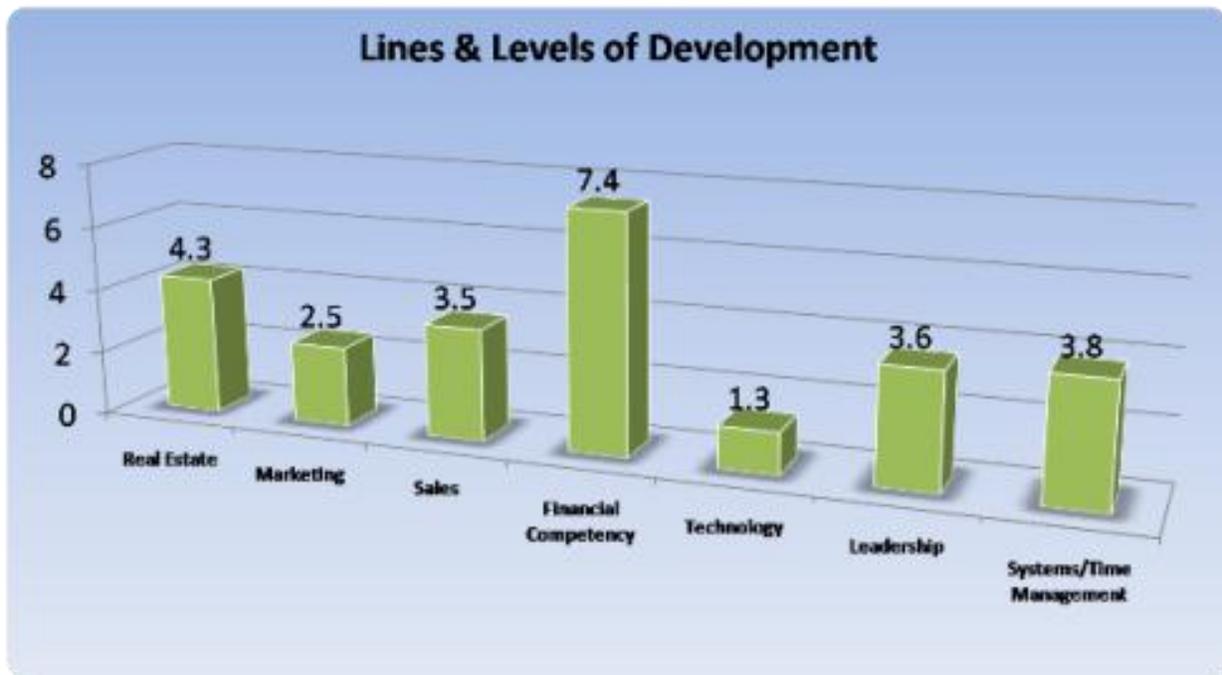
The loan originator of the future will be much more than an application taker or even someone who is proficient at selecting loan programs and getting files approved. Those skills might have enabled you to make a decent living 5 or 10 years ago. But if you want to be a successful mortgage originator *today and in the future*, you'll need to expand your vision of what a professional originator is and does. The qualities and skills we used to consider fundamental for a successful loan officer will continue to be important; they will be *necessary but not sufficient*. To be successful in today's environment, you will need to both *transcend and include* the old model of a mortgage professional.

"We can rebuild you ... We have the technology ... We can make you better than you were before ... Better, Stronger, Faster."

7 Critical Skills for the 21st Century Mortgage Professional

If you're willing to consider remaking yourself into much more than you currently are, I have identified below some of the areas where you will want to grow your skills. Each area is a separate *line* of development. Within each line of

development, there are *levels* of development or proficiency. A loan originator, for example, may be well-developed in “financial competency”, for example, but be much less developed in other lines, like Marketing, or Sales, or the ability to use Technology effectively (see chart below).



An honest self-assessment will tell you in which of these lines you are weakest. If you want to be a fully functioning, successful mortgage loan originator, you’ll want to improve your level of development in each of these lines – especially in those lines where your development is weakest.



Real Estate. People take out mortgage loans as a way of financing the purchase of a home. (They also refinance their existing mortgages for other purposes; see Financial Competency below.) The ability of average Americans to own real estate, despite our recent troubles, is still the envy of the world – almost 70% of American families own their homes. The right loan can make owning a home more affordable; the right loan can make owning a home a better financial decision. The right loan can save the client money over the “wrong” loan. **But the most important factors for the**

homebuyer’s quality of life and financial well being are finding the right home, and negotiating the price they pay for that home. So mortgage lenders who have not educated themselves on their local real estate market are missing a tremendous opportunity to distinguish themselves from their competitors and dramatically enhance the value of the service they offer their clients. Show a client how to save \$5,000 to 10,000 (or more) on the purchase price of their

home and you will have saved them far more money than if you had done the loan for them for free.

Far too many loan officers are essentially ignorant about their local real estate market. They don't know how many homes are sold in a month; they don't know the ratio of sales to available inventory, or what that inventory looks like in terms of size, location, condition, features, etc., and they don't know anything about the relationship between listing prices and final sales prices. Some of my most successful loan originator clients have taken the time and trouble to get their real estate licenses so they can better understand that side of the business and have access to the data in their local MLS system. But whether you get your real estate license or not, you need to be educated about your local real estate market or you're going to severely limit your usefulness to your purchase clients.

Marketing. You have to understand the fundamentals of marketing - how to target a specific demographic/market with enough potential to be profitable, how to find out what your prospective clients really want, and how to find and reach them in a cost-effective way with a message that gives them exactly what they want, in the form of an offer they can't refuse. If you understand these fundamentals, and you can deliver on your offer, you can thrive in any set of market conditions. If you *don't* understand these fundamentals, you will at best be imitating people who figured it out before you did.



You don't have to get a degree in marketing, or become quite as knowledgeable about it as people who successfully make their living in this field. But a working knowledge of the basic principles will always help you figure out where the opportunities are and how to take advantage of them. It will also make you more competent to evaluate the skills of anyone you might contract with to provide you with marketing services.



"You can have anything you want in this world, if you'll just help enough other people get what they want."

--Zig Ziglar

Sales. What does it mean to be a true sales professional? For one thing, it has nothing to do with how slick and smooth you are, and everything to do with the intention with which you enter every encounter with prospects, clients, and referral sources. As Zig Ziglar has said many, many times over the years, "*You can have anything you want in this world if you'll just help enough other people get what they want.*" If you approach your sales work with a genuine and sincere spirit of service, people will open up to you more. If they open up to you more, and they can tell that you are listening to

them, they will trust you. If after fully understanding what it is they hope to achieve, you make a recommendation that you believe will be the best way for them to get what they've already told you they want, they will buy it. And you will sleep well at night.

Top sales professionals have great **empathy** -- the ability to identify with and understand somebody else's feelings or difficulties; the ability to feel what it feels like to be in another person's shoes.

And the top sales professionals are expert communicators. Not only can they explain an idea or concept in terms that are interesting and easy for people to follow, but even more importantly, they have developed the ability to ask great questions and listen carefully to what their prospects say. When your listening skills are at least as good as your speaking skills, you can establish rapport and trust with almost anyone.

Financial Competency. It may seem ironic to you (and it certainly does to me) that we have loan officers in this industry with little or no background, training, or knowledge in personal finance management and financial literacy. You are advising people on the biggest transaction most of them are likely to have made in their lives up until now. Shouldn't you know enough about it to be able to speak with some credibility and authority - not just about the loan program, but about how the home purchase and the mortgage financing will fit into their overall financial future and well-being?

There are four levels of competency. At the lowest level, you don't know the subject matter, but *you don't even know that you don't know*. At the next level, you still don't know, but you're *aware* that you don't know it. At the third level, you understand the material, but you're unable to communicate it clearly to others. Many LOs are stuck at this level; their explanations of the differences between loan programs would put a caffeine addict to sleep.

At the *highest* level of competency, not only do you understand the subject, but you can also explain it clearly and simply to someone of average intelligence who doesn't have your training -- and it will make sense to them. The main reason loan originators lose the confidence of their clients is because they come across as being simultaneously defensive and incoherent when trying to explain something like loan pricing.



Technology. What's your comfort level with the technology that surrounds us today? Do you have, and are you proficient with your LOS, database, calendaring, email, word processing, graphic design,

and other software programs? Do you know how to put on a Webinar? Create a video presentation or an audio email? Do you have an effective website (and by effective, I mean does it generate leads that you convert into closed transactions in such a way that your website is a profit center for you?

If you don't know how to do these kinds of things, you're in serious danger of becoming obsolete.

For some people, technology can be intimidating. But consider this: some people consider evaluating mortgages to be intimidating. You didn't learn what you know about mortgage financing overnight, you started at the beginning and kept putting one foot in front of the other until you got to where you are today. Why should understanding and being able to use technology be any different?

Leadership. Even if you're "just" a loan officer, with no employees, leadership skills are vital to your success. There are 3 characteristics of great leaders:



- **Vision** -- the ability to see things clearly - both as they are now, and as they could be
- **Influence** -- the ability to understand, persuade, and move people
- **Courage** - a fierce resolve; a refusal to ever give up

Without **vision**, it will be difficult for you to imagine how things could be much better than they are right now. Without **influence**, you will not be effective in dealing with prospects, clients, processors, underwriters, real estate agents, etc. And without **courage**, you will be unable to take calculated risks, or persist in the face of adversity.

As with any of these lines of development I have been discussing here, leadership is a skill that can be learned and strengthened. While it may be true that some people have more natural gifts in the area, what matters is where you *finish*, not where you start.



Systems/Planning/Time Management. The nationally-known management consultant David Allen calls it *Getting Things Done* — in fact, he wrote a book about it with that as his title. And of course, it's not just about getting "things" done, it's about getting enough of the *right things* done, and getting them done *well enough* that you can say they were a

success.

You can get better at creating systems that support the relatively effortless generation of leads, the acquisition of clients, and the closing of loans. You can

not only get better at getting more things done; you can also get better at getting more of the most important things done. It is a skill: wherever you happen to be in this - or any of these other lines of development, you do not have to remain there forever. We have the technology. We can make you better, stronger, faster.

How to Make Big Changes, So Your Business Doesn't Die

Let's say you see room for improvement in your overall *level* of development in one or more of the *lines* of development outlined above. Let's also say that you can see that these areas where you aren't as developed as you'd like to be are holding you back from accomplishing what you want to accomplish in your profession, and that you've acquired a greater sense of urgency as a result of what you see happening in the economy in general and the mortgage sector specifically. What can you do about it?

If we learn from the lessons of the Ornish experiment, the answer is clear: you have to stop trying to motivate yourself with fear (try having fun instead), and be prepared to start making substantive changes across the broad range of your business activities, so that you can produce bigger results faster - the kind of results that make you want to continue with the positive changes you're making. And for someone in the mortgage business, the 7 Critical Skills I've described here would be a sensible place to start.

It can be tremendously helpful to work with a coach who knows the territory and has guided others through it. Everything you know how to do has gotten you to where you are today, and you may have good reason to be proud of your accomplishments. But if you want to go farther, if you realize that the mortgage industry and the markets have changed and you need to adapt to those changes, and especially if you know you need to improve in one of more of these 7 Critical Skills, think about working with a good coach who understands your business. After all, even Michael Jordan had coaches.



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