

Train Your Referral Sources

Minimize borrower problems by teaching your referral partners potential red flags

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AS A MORTGAGE BROKER, YOU LIKELY have a number of referral sources who send business your way. Your goal should be to get good-quality referrals who have reasonable expectations. To help ensure this, it helps to train your referral sources and provide them with useful information.

If a referral comes to you with false or unreasonable expectations, you'll have an uphill battle from the start. Even worse, it puts pressure on you to cut corners — that is, to force a borrower's financial picture into a loan program that doesn't exist.

To avoid preconceived notions from the borrower and the referral source, create a training program that helps your referral sources understand what to watch for and how to prepare their clients for the loan process. First, brokers must understand what problems can arise if their referral partners contribute to their clients' unrealistic expectations.

Potential problems

Imagine this situation: A real estate agent with whom you often work meets potential homebuyers at an open house. The buyers ask the agent how much down payment is required. The agent might make a comparison to a past sale, where the buyers had a 5-percent down payment. The buyers say they can borrow the money from a friend.

The buyers also ask about the interest rate, which the agent estimates at 7 percent. They say they would buy the home as a rental property, and the real estate agent refers them to you — saying you can “get anyone approved.”

There are many problems in this situation. When these kinds of borrowers come to you, they think you are a loan magician. If you really

can get anybody approved, it may mean that you are willing to cut corners and operate in the murky gray area or commit fraud.

In contrast, good, creative loan officers work with their clients to get them into the right loan program using their product knowledge — not by misrepresentation and deception.

Great expectations

These potential borrowers think that they not only can get a loan but also can get one with a borrowed down payment of 5 percent and a 7-percent interest rate for an investment property. These could be unreasonable expectations.

You also cannot know what interest rate will work for borrowers until you look at their overall financial picture, as well as at the loan program on which you decide — if they qualify for any loan in the first place.

In addition, occupancy is one of the biggest areas of mortgage fraud. When borrowers walk into your office believing that they can get the same loan on an investment property as on an owner-occupied home, you have yet another uphill battle.

Remember, potential buyers may not realize that real estate agents are not mortgage experts. Many think that every professional they meet during their home-purchasing experience knows all aspects of the transaction.

Training your partners

To avoid these potential problems, it helps to train your referral sources on the basics of the mortgage process, as well as on red flags to watch out for when meeting homebuyers.

First, let your referral sources know that you appreciate their business. After all, you have a chance to turn their potential buyers into your potential borrowers.

Then give them an overview of loan programs and terms. This will help them listen for questionable comments. For example, whether buyers intend to live in the property can greatly affect a loan's terms, as well as available loan programs. If borrowers indicate that they intend to buy the property as an investment, they should bring this up in their initial meeting with you.

In terms of down payments, requirements vary greatly depending on many factors, including credit, occupancy and ability to prove income. Your referral sources should listen for comments that would indicate issues with a down payment and encourage clients to talk to you about it.

Loan programs are another issue that can come up. Let your referral sources know that they shouldn't discuss specific loan programs with their clients. Ask them to instead advise their clients that you are knowledgeable about dozens of loan programs and could determine their best fit, when the time comes.

Interest rates also are determined specifically and are related to the loan program. Determining factors for both include the borrowers' needs, how long they plan to stay in the home and their expected home-value and income increases. Your referral sources can mention as much and also say that you offer competitive rates (if you do).

After going over the various loan programs and terms with your referral partners, encourage them to ask clients questions if they hear inconsistencies. If clients are deceptive — even about seemingly little things — it's likely that they will have no problem misrepresenting major details.

Tell your referral sources that you are willing to keep them in the loop, too. Find out if they want to be engaged in the approval process and help deal with any problems that arise or if they simply want you to inform them of loan approval.

Take this opportunity to get in front of your referral sources, and be creative. You can even script role-play situations. Show different

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scenarios, from how not to manage client expectations to the right way to do so.

Remember, you are not trying to turn your referral sources into mortgage professionals. You simply want to give them enough information so they can help you help their clients have a great homebuying experience. **!!**