SCOTSMAN GUIDE

Sealing the Deal

Part I of II: Follow these straightforward steps to improve your client-retention and closing ratios

By **John Lloyd,** president, Cornerstone Commercial Mortgage

To begin, let me ask you some painful questions. Answer honestly:

- **Have you ever spent hours arranging financing** for your clients only to find out they went somewhere else before you executed a fee agreement?
- **Have you ever lost a loan opportunity to a competitor** when you knew you had more to offer?
- **Have you ever missed an opportunity** to engage your clients during the first meeting, and as a result, they went elsewhere?
- **Have you ever obtained financing** that was not exactly what your clients were looking for and lost the deal?

If you have been in business for even a short while, you probably answered yes to most of these questions. Brokering loans can be exasperating. You often feel as though you're vulnerable to borrowers' whims and competitors' aggressive tactics.

I understand brokers cannot be everything to everyone. But through some hard knocks, I've developed a process to improve your chances of retaining your clients and of sealing the deal through the close of escrow. As a broker, you have a constant challenge to control the process early so you don't lose the financing opportunity. There is no easy solution, but there are some proven principles that can dramatically improve your overall client-retention and closing ratios.

Remembering these principles using a four-tool model will result in higher productivity, efficiency and profitability. This article will detail the first two tools in the model; a piece in a future edition of *Scotsman Guide* will outline the rest.

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The A.P.E.X. model

Throughout my 18 years in the business, I have developed what I call the A.P.E.X. model. This model suggests that you:

- ***Assess your clients:*** All clients are not created equal. It is critical to determine with whom you're dealing so you can use the most effective strategy.
- ***Position your services:*** A major factor in retaining customers and sealing the deal is positioning your services. In your initial meetings, it is essential to shape their perception of you and of the nature of the relationship. If you handle situations correctly, you can help borrowers think of you as their representative, not as a vendor. You can incite in them a sense of commitment to work with you.
- ***Establish the relationship and enhance value:*** When you engage with clients, do you relate primarily to the deal or to the people? In the initial stages, it is critical that you relate to the people first and to the deal second. It also is critical that you add or enhance value beyond simply finding financing. There are many ways to add value that may not take much time but will build perceived value.
- **E*x*ecute a fee agreement:** In an ideal world, this would not be necessary. But I have found that in most relationships, particularly new ones, obtaining such an agreement is crucial. Executing a fee agreement successfully is all about timing. It enables you to move forward confidently without restraint.

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To better understand these ideas, let's break them down.

Assess your clients

Every client is different. Quickly discerning with whom you're dealing and how to respond can determine if you close a deal or waste a lot of time. Good judgment can help you win clients and close deals.

For the sake of simplicity, I have categorized clients into four types:

- **Deceptive, dishonest clients** ask a lot of questions and try to get as much information out of you as possible without making a commitment. They

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may use flattery, bribery and flat-out lies to achieve their goals. For example, they may say you are the only broker working on their deal while your deal is being shopped all over town. They may be nosy about your discussions with lenders. Or they may politely tell you they'll do everything you want them to and then do the opposite.

Their ability to deceive you and to waste your time makes these clients the most dangerous. Once you believe you are dealing with a dishonest client, you need to require a fee agreement or you must walk away.

- **Obnoxious, know-it-all clients** appear to have everything down. They may tell you that the only reason they're calling upon you and not getting the loan on their own is because they don't have the time.

  If you can endure the frustration of dealing with these people, it will probably pay off. Usually, they want results fast. It's best to provide the information requested and then ask them for a fee agreement because they might not be loyal.

- **Neophyte, inexperienced clients** know little to nothing about commercial loans. They ask you what happened to the two-day appraisal process, like the one they had when they refinanced their house.

  Beware of these clients. They may be honest and have good intentions, but they can suck the life out of you. Usually, they have small deals. The time it takes to educate them and to close the transaction may not be worth your time. It is important to discern whether they have the potential of being repeat clients. How can you tell? Ask these questions: Do they have future plans and the capacity for more projects? Are they financially strong enough to execute their plans? Who is in their circle of influence, and will that lead to additional referrals?

- **Considerate, honest clients** know what they want, when they need it and how to request it. They understand the value a broker provides, have high expectations and are willing to pay for the value received. These borrowers often keep their word, so when they say you have a deal, you don't have to worry about losing them to your competitor — unless you're not doing your job.

  These are obviously the best and most-desired clients. Your objective here is to solidify the relationship and close the transaction with the emphasis on keeping them as repeat customers.

Assessing your customers accurately gets you off to the right start. It will help you to set the correct tone for the relationship and help to guide your overall strategy.

Position your services

How you begin the relationship will profoundly affect the entire collaboration. In brokering, there are different ways you can position yourself with your customers. You can merely position yourself in a one-dimensional fashion, offering customers access to possible financing sources. While this has implicit value, however, it does not differentiate you from other brokers.

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Although little can preclude your clients from looking to other sources, you can establish your services favorably with them using some key strategies. It takes many smaller steps of building mutual commitment and confidence.

In the initial meetings, ask specific questions to elicit a sense of commitment from your clients. Ask, "Have you worked with a broker before?" or "What are your expectations?" If you see areas where you may be able to add service and value, tell them. Ask specifically if they would like you to provide these services.

Find out what the borrowers are looking for and what they care about most — leverage, rate, terms, prepayment penalty, timing, service, etc. Ask them to define their optimal time frame. Tell them how you can provide services to meet their specific needs. Explain in broad terms how your process works.

It is helpful to ask questions that demand a "yes" answer: "Is it important to you to have a knowledgeable and experienced broker?" "Do you want the lowest rate available?" "Do you want access to the best lenders in the market?" "Do you want a mortgage broker who has arranged loans like this before?" The yes answers likely will move your clients closer to wanting to work with you exclusively.

Once you have positioned your services, then you can position yourself as a broker with three primary identities — professional advocate, expert guide and trusted partner.

As a professional advocate, you reinforce the value of a mortgage broker. You emphasize the services and standards you can provide throughout the loan process. You illustrate your capability to quickly find the best lender based on your connections and your ability to shop the deal. Working to find borrowers the best available loan, you act as their advocate with lenders. Offer options; don't become an option yourself.

As clients' expert guide, you can help them reach their destination and avoid the nasty pitfalls they might encounter with a less experienced or less scrupulous agent. Tell them about how you helped other clients achieve their goals. Emphasize your knowledge of the industry. Offer referral sources, when appropriate.

As a trusted partner, you not only serve clients but also, when applicable, help them reach their broader goals — perhaps going beyond financing to create income-generating property or appreciating assets. You increase clients' creditability as well as their chances of loan approval by packaging the loan in the best way. Assist clients with the feasibility analysis and with pro formas to achieve their objectives. In short, act more as a partner than as a service provider.

In all these roles, you can uphold the highest level of standards in the industry. If you haven't done so already, you should join accredited organizations such as the Better Business Bureau or the Mortgage Bankers Association. Emphasize this membership to your customers.

Relaying information about yourself to clients and gathering as many facts about them as possible can drastically improve your ability to close more loans. Sealing the deal is the ultimate goal of every mortgage broker.

This model has proven beneficial in my own work, increasing my closing ratios and profitability.

Past articles by John Lloyd:

"Relationships: The Key to Successful Business Development," January 2005

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