A Counterintuitive Growth Strategy

An industry downturn may actually be the best time to step on the gas

By Robert Lipston

To say the U.S. housing market has been going through turbulent times would be an understatement. Most signs point to inflation as the main driver of the recent cooldown, with both potential buyers and sellers catching a whiff of trouble.

The Federal Reserve's response to inflation is further complicating matters. The central bank responded to runaway inflation by steadily raising benchmark interest rates to their highest levels in 15 years. In turn, mortgage rates have more than doubled over the past year.

Problems and solutions

The Fed's moves influenced mortgage rates, with the average 30-year fixed-rate loan briefly topping 7% late last year. As of this past summer, average monthly mortgage payments were up more than 50% year over year, according to the National Association of Realtors' Housing Affordability Index. Inventory shortages and home price increases have made the picture even gloomier.

So, as a recession looms and tech behemoths shed employees, no one knows what kind of housing market we will see in 2023. The overall mood in the mortgage and real estate industries, and more broadly across the economy, has been doom and gloom. But behind adversity lies opportunity.

In adverse marketplaces that seem to be heading in an even more difficult direction, many business leaders look to cut expenses to cure their problems. But if you spend money and subsequently bring revenue to your top line, you may put yourself on a quicker path to strategic success.

Mortgage companies should be continuously improving and adding value for their referral partners and clients. For industry-leading companies, this is a natural result of their passion and dedication to making homeownership dreams a reality.

Companies and originators can add value by committing to providing product offerings, tools and ideas for clients and real estate agents that help lessen the impact of the ever-changing market. These tools also can help counteract other factors, such as disruptions to closings, by anticipating and preventing issues or by allowing for speedy problem solving as needed.

Inventive programs

Some mortgage companies have focused on creating more products and opportunities for both referral partners and borrowers. For example, products that help agents have more productive conversations with sellers and buyers can add value for all parties involved in a transaction.

Additionally, offering rate-lock options can protect a Realtor partner's listings from rising rates while simultaneously protecting affordability for borrowers. Likewise, giving your Realtor partner tools to educate clients on different topics within the homebuying process, such as seller contributions, can help a borrower qualify for a larger home.

Some lenders even offer programs that provide a guaranteed financing commitment. These result in a faster closing process and increased trust from sellers.

Training and education

Lenders and originators should continually invest in training to help agent partners know the latest tips, tricks and techniques about borrower qualification methods, and how to set up clients for success both today and in the future. These include webinars, in-person trainings, and "lunch and learns," in addition to other educational content that helps them to be subject matter experts.

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The key to product development in this market is to give people the dream of homeownership by innovating, creating affordability and minimizing barriers to entry. As we collectively navigate the current interest rate environment, mortgage companies must develop solutions that help more borrowers qualify. For example, cash-offer products (free from financing contingencies that can make a purchase bid less competitive) are now available through some traditional lenders for the first time ever.

It's also valuable to provide education on these products to borrowers. By helping potential homebuyers understand their options and the mortgage process, you can inform and capture clients who qualify through programs they don't know exist. This window of opportunity, while shadowed by fear of marketplace conditions, can allow mortgage professionals an opportunity to engage with clients who were not previously in position to buy a home.

Growth focus

Thriving in difficult times is all about market expertise and knowledge of how to work through problematic conditions. This is certainly not the mortgage industry's first rodeo in a challenging market. Every time the industry has gone through cyclical, recessionary activity, the greatest opportunities for growth have emerged.

Longtime industry professionals see market situations like today's as a prime position to capture amazing talent. Focus on reinvesting into your team whether it's the worst of times, the best of times or somewhere in between.

For companies with the financial capabilities, this reinvestment means recruitment of the absolute best talent out there. Because the market is weak right now and some companies are struggling more than others, it provides opportunity to reengage friends, former colleagues and industry peers.

In these tough times, mortgage companies should position themselves for both stability and an appetite for growth. They should take the opportunity to hire good people who didn't fit into another company's strategic trajectory. While many companies aren't doing this, others are doubling down and bringing on sizable groups of new employees.

Many mortgage companies have built their platforms on the concept of hiring people to be sprinters, but the winners are the marathon runners. Right now, we're on the final laps of that long race, and thinking long term includes being prepared for market shifts in both directions. Hiring will prepare companies for the eventual upturn while simultaneously creating more sales opportunities in the here and now.

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As longtime executives and salespeople in this ever-shifting industry will say, you will likely find more success in down times by growing and adding revenue streams rather than downsizing and cutting your way out. With more turbulence likely on the horizon, take the initiative to step up, add more top talent and bravely grow within a marketplace where others may be living in fear. •

Robert Lipston is the executive vice president of loan production for Evergreen Home Loans. He has more than 35 years of mortgage experience in sales, leadership and operations, previously serving as a first vice president and regional director at Flagstar Bank. He also serves as a local leader in the mortgage industry as the current president of the Puget Sound Mortgage Lenders Association (PSMLA). Reach Lipston at rlipston@evergreenhomeloans.com or (425) 576-3700.