SERVICING MANAGEMENT®

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Cross-Selling To Existing Customers Will Boost The Bottom Line

Increasing revenues by tapping current customers through sales-focused call centers is growing in importance.

BY ROB LEE

It is no secret that margins in the mortgage industry are shrinking. According to Mortgage Bankers Association statistics, lenders are expected to process only $2.26 trillion in 2006 - just over half of 2003's record $4 trillion. By the end of 2005, loan applications had already dropped to their lowest levels since 2002.

Rising interest rates, increased competition and legal roadblocks have made mortgage products a much tougher sell, and 2006 promises to be a year of fierce competition in the mortgage industry. In addition to the vast number of competitors, there are other elements that are making the marketing process more complicated.

The growing National Do Not Call Registry, which saw 62 million consumers sign up in its first year, has fueled sentiments of hostility toward telemarketers by consumers. The fine for violating the registry is currently $11,000 per infraction. Those who are able to reach potential prospects are often met by hang-ups or immediate disinterest. The more recent Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or CAN SPAM, has also made unsolicited e-mailing taboo.

Direct mail has also proven to be a challenging medium. According to 2003 statistics from the Direct Marketing Association, the average household receives approximately 25 pieces of direct mail every week. This number represents a 25% increase from the previous three years. Some in the industry fear federal "do not mail" legislation could be on the horizon.

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The call center

While marketing continues to become more challenging and competition grows, one thing will remain constant: most borrowers, at some point, will need to contact your call center or access your Web site.

Lenders are spending marketing dollars on data for direct marketing programs, but their call centers are already housing numerous data points that paint a vivid financial picture of their current customers.

For example, a borrower may contact the call center because he or she is having difficulty meeting the monthly obligations of a recently adjusted three-year adjustable-rate mortgage (ARM). This customer may be more interested in refinancing than working out a plan to meet the existing obligation.

Or, a borrower contacts the call center to determine how much equity has been built in the home. In most cases, the caller is asking so he or she can determine eligibility for a home equity line of credit (HELOC).

Depending on how in-depth an institution's direct marketing efforts are, many send hundreds - or even thousands - of solicitations before receiving one qualified response. However, call centers receive thousands of calls daily from qualified consumers, and companies do not need to pour resources into marketing to them.

Products

While HELOCs and refinancings are the most popular choices among institutions currently using their call centers to boost profitability, numerous other financial products can be cross-sold to the right consumer.

For instance, consumer products such as checking accounts, credit cards or savings accounts can be offered to customers who have purchased a mortgage loan from the institution. Property and life insurance products are also a natural fit for homeowners and their families.

It does not matter if the products sold come from within the institution. Third-party financial products can also be sold, boosting precious income-per-loan numbers while delivering value-added products to borrowers.

In addition to being fast and targeted, selling financial products through the call center is also cost-effective. New cross-selling technology now enables servicers to quickly pull consumer information and evaluate the data to determine what products and services may be a good fit. Once a determination is made, an offer can be assembled that meets the customer's unique needs. Offers are based on a number of pre-determined factors, including eligibility, qualification, profitability of the product and propensity to buy.

Technology is also available for matching and presenting offers through other media, including the Internet and interactive voice response units.

Once an offer has been matched, it can then be presented by the customer service representative to the borrower. The offer is typically accompanied by a personalized and interactive guide that allows the service agent to quickly and easily present the offer to the caller. If the customer shows interest in the offer, the representative transfers the call to a sales agent - who is also linked in real-time to relevant customer information - to close and process the transaction.

As for cost, the technology that pairs the customer data with relevant offers can be implemented with little expense. Third-party financial products can be priced on a transaction basis, with no up-front cost.

Financial institutions can also divert calls from customer service representatives to their own sales staff once interest in a product is shown, eliminating the need for an outsourced sales staff.

Here is an example: A customer with an ARM contacts his mortgage servicer via telephone to inquire about his loan's balance and current interest rate. The loan - a five-year ARM - reached its adjustment period three months ago.

After dialing the servicer's customer service line, he is prompted to input his account number and the last four digits of his Social Security number. Then, his call is routed to a customer service representative.

The borrower's personal information is then pulled up, and he is greeted by name. While the customer service representative is helping the borrower with his questions, an offer is created for one or more financial services products, based on eligibility, qualification, profitability and propensity to buy.

The customer service representative is notified instantaneously by the institution's cross-selling platform that the borrower is eligible to refinance for a 30-year, fixed-rate mortgage at a lower rate than the adjusted rate he is currently paying.

If the borrower is interested, the customer service representative asks him to hold, and the call is transferred to a sales representative.

As the previous scenario illustrates, the customer's issue is resolved, and the institution will profit as a result. Further, the institution has gained a repeat customer and will more likely earn his business again. SM