



CAPTURING BUSINESS
*by meeting the new expectations
of today's consumer*



**MEETING THE NEW EXPECTATIONS OF
TODAY'S CHANGING CONSUMER**

Sandra Bell

*Vice President/Chief Marketing Officer
The First American Corporation*

The demands of today's changing consumer

- The product-purchase experience has changed dramatically in past decade
- High quality, efficient service, low cost are not desired, but expected
- Speed, simplicity, transparency are necessary to prosper
- Mortgage lending industry – and its partners – are impacted by these new demands

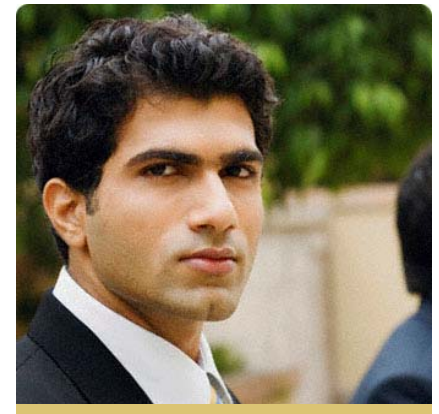


Meeting the new expectation of today's changing consumer

Sandra Bell

Mortgage Lending Industry

- What are consumer expectations of the mortgage industry, and all businesses, today?
- How can we reach out to consumers to meet these needs AND create revenue?
- What methods can we use to do so responsibly?
- Why will this be important for business sustainability?
- How is success achieved in this regard?



Meeting the new expectation of today's changing consumer

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Today's discussion

- **Consumer Analysis and Trends**
 - ♦ **Linda Simmons**
SVP Business Development, Overture Technologies
- **Consumer Market Opportunities**
 - ♦ **Tim Sandos**
President & CEO, NAHREP
- **Responsible Lead Generation**
 - ♦ **Dennis Hastings**
President, iDirect Marketing Inc.
- **Technology Impact and Trends**
 - ♦ **Rick Allen**
Director of Strategic Initiatives, Mortgagebot
- **Mortgage Lending Practice**
 - ♦ **Jay Plum**
EVP National Home Equity and Specialty Lending, Charter One Bank



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CONSUMER ANALYSIS AND TRENDS
Gaining business from today's evolving consumer

Linda Simmons

Senior Vice President Business Development, Overture Technologies

New expectations

- **Consumer demand in the last decade**
 - ♦ The Internet and accelerated retail experience have bred “super shoppers”
 - ♦ They demand speed, simplicity and transparency in every transaction
 - ♦ They expect their specific needs to be met in ways that fall far outside traditional practices.
- **Lenders that meet these needs prosper, while those that don't may rapidly lose market share to those that do**



“Super Shoppers”

- **Airlines**

- ♦ Travel agent as Gatekeeper of the airlines, in the past
- ♦ Now, The Internet creates aggregator sites and direct-to-consumer sites.
 - Southwest
 - Airlines no longer need travel agents to fill their planes

- **Big Pharmaceuticals**

- ♦ Big Pharmaceutical companies no longer rely solely on sales-reps
 - DTC Marketing
 - Free samples in malls, by mail, by phone
 - Subsidies and/or support for consumers on an as needed basis



Speed, simplicity and transparency

• Telecommunications

- ♦ Large network companies built the connectivity (B to B)
- ♦ Companies like AT&T and Sprint built the networks and then moved into the consumer space.
- ♦ Cable companies did the reverse – they got into the consumer's home and then added
 - High-Speed Internet
 - Landline Telephone
 - Satellite TV
 - Or a bundle of all of the above.
- ♦ To the consumer, it is fast and somewhat transparent. However, it is not viewed as “simple” yet



New arenas outside “traditional” practices

- **Healthcare Banking**

- ♦ 2004 Health Savings Account legislation
 - Large land-grab for the actual savings accounts by a variety of institutions.
- ♦ Healthcare companies have purchased banks (B to B)
- ♦ Financial services companies have started/partnered with banks (B to B)
- ♦ But, banks themselves are going to consumers directly (regardless of healthcare policy loyalty) to grab those HSA deposit dollars. (B to C)
- ♦ Healthcare responsibility is shifting from the responsibility of the employer to the consumer



New arenas outside “traditional” practices

- **Federal Government**

- ♦ Personal Income Taxes

- H&R Block, Jackson-Hewitt, and CPAs were the middleman.
- Intuit’s Quicken and Turbo Tax along with Tax Cuts
 - ♦ Consumers create simple to complex tax preparation themselves
- Uncle Sam made online filing easier with
 - ♦ Online interview and review sessions
 - ♦ Lower fees to complete
 - ♦ Quick, direct deposit of the tax refund

- ♦ U S P S

- Traditional postal transactions were conducted between nine and five on weekdays
- Post offices installed machines and left the facilities open longer
 - ♦ Internet with home delivery/pickup services
 - ♦ Alignment with FedEx and leveraging of routes, transportation and delivery

Lessons learned from other industries

- Quality, speed and low cost does not translate well into managing customer expectations (e.g., buying a ticket is easy and inexpensive but people expect the plane to take off, on time)
- Consumers are looking for end to end shopping experience. Nordstrom's and Zappos have set the standard. Many other transactions have not "mastered" managing consumer disappointment.
- Once you're in a household, opportunities should increase.
- It may be easier to augment an existing customer relationship with a new arena (e.g., a bank getting into healthcare savings account) than create a relationship in an existing arena (healthcare getting into banking).
- Making the message simple and clearly directed still works best





CONSUMER ANALYSIS AND TRENDS
Gaining business from today's evolving consumer

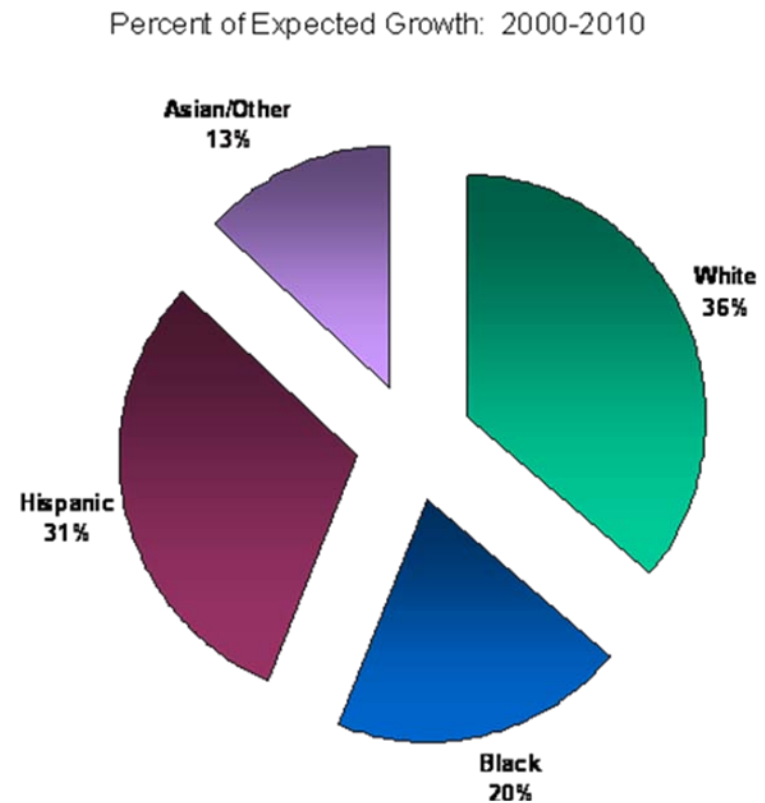
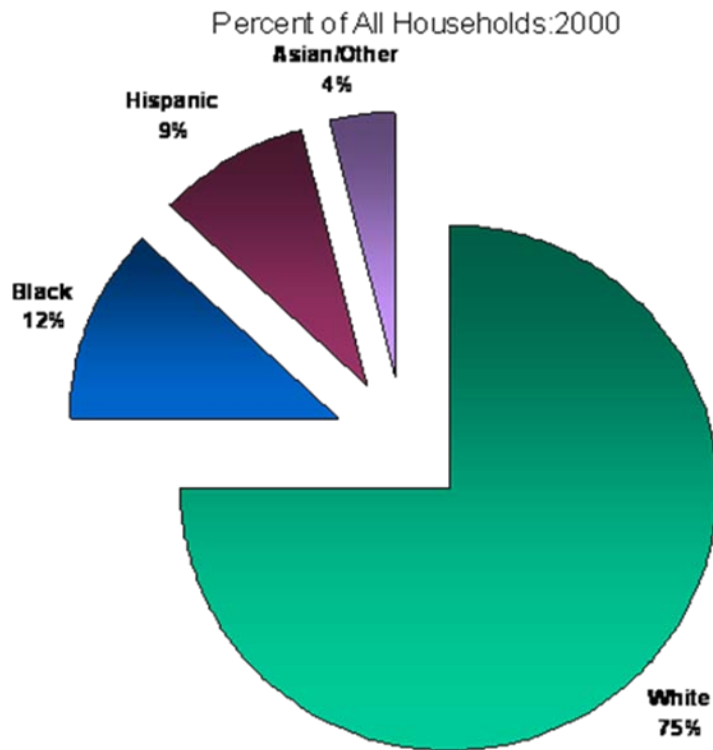
Tim Sandos

President and CEO

National Association of Hispanic Real Estate Professionals (NAHREP)

Emerging markets environment

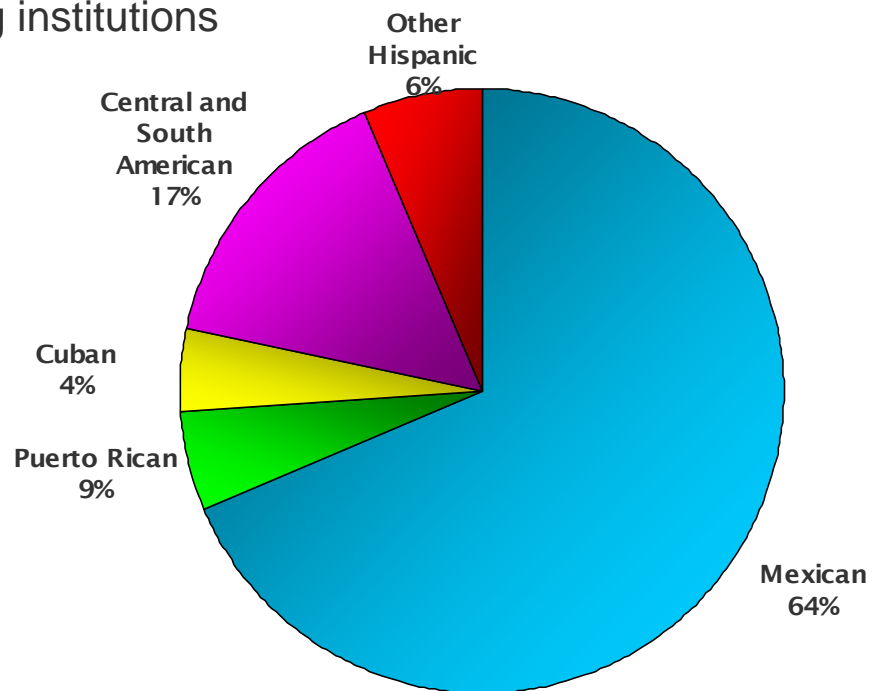
- Minority families will dominate household growth this decade



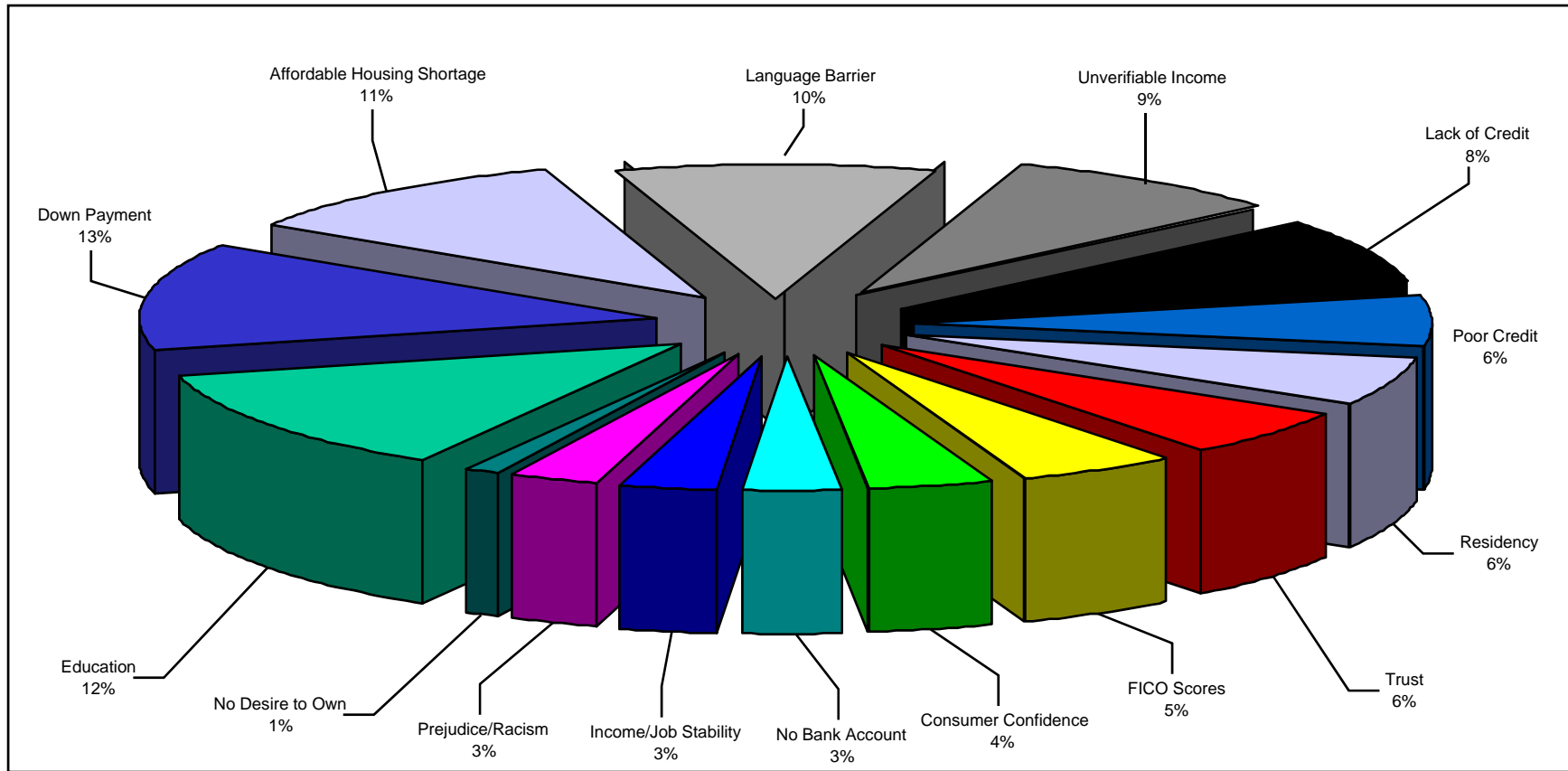
Know your customer:
















Hispanic Characteristics

- Family considerations
- Retain a strong sense of ethnic identity
- Consider trust and loyalty essential elements
- Often make home buying decisions based on word-of-mouth
- May have misconceptions
- May have some mistrust towards banking institutions
- Diminishing regional concentration
- Larger families – 3.5 vs. 2.4
- Median age is 27.4 vs. 36.4
- 68% headed by married couples
- 64% of Hispanics are Mexican
- Prefer to transact in Spanish



Know your customer: Barriers to Homeownership



 Education	 Down Payment	 Affordable Housing Shortage	 Language Barrier	 Unverifiable Income
 Lack of Credit	 Poor Credit	 Residency	 Trust	 FICO Scores
 Consumer Confidence	 No Bank Account	 Income/Job Stability	 Prejudice/Racism	 No Desire to Own

Consumer Analysis and Trends

Tim Sandos

Know your customer:

Demographic Modeling and Segmentation

(CRA Wiz, Google Earth, HMDA Analysis)



Meeting customer expectations: Addressing the barriers

- **“EN CONFIANZA”- NAHREP Code of Ethical Conduct**

- ♦ NAHREP’s principles for purchase, lending and servicing
- ♦ Grounded in substantive consumer protections
 - Lends credibility and trust to NAHREP certification
 - Differentiates NAHREP by its call to action
- ♦ Address major predatory lending practices
- ♦ Comprehensive principles address:
 - *Purchases* (appraiser, realtor and title responsibilities)
 - *Financing* (prime lending filters, negative amortization, limits on hybrid ARMs, and counseling)
 - *Servicing issues* (fair and responsible loss mitigation)
- ♦ Broad appeal for other mainstream and vulnerable groups, as well as the elderly



Meeting customer expectations:

Documents, process flow, servicing

• Create Spanish Language Support Infrastructure

- ♦ Documents: Provide mortgage and home equity loan customers Spanish translations of identified critical documents based on customer preference:
 - Originations – Retail, Wholesale, Correspondent
 - Servicing
 - Default Management
 - Web Site Updates
- ♦ Telephony and Customer service: Enhancements to include:
 - Automated VRU with Spanish Call Routing and Queue
 - Bilingual TMCs, LCs, (Originations), CSRs (Servicing) and Collectors (Default)
 - Scripting, Dictionary, Glossary, and Quick Reference Cards
 - Staff Training, Certification Package, and Manual
 - Web Site Updates
- ♦ Marketing and Business development:
 - Hispanic Customer Councils
 - Competitive Strategy Review
 - Marketing Collateral



Net message

- Focus on providing an in-language, acculturated, “world class service”
- Work with Originations, Servicing, and Risk Management to provide an end-to-end customer experience that meets the needs and expectations of the targeted consumer



Consumer Analysis and Trends

Tim Sandos



LEAD GENERATION

Using simple methods to responsibly capture quality leads

*Dennis Hastings
President, iDirect Marketing, Inc.*

Market Overview

- **Where have all the loans gone?**

- ♦ Conforming:

- Higher loan amounts
- Higher FICO's
- Lower LTV requirements (as home values are depreciating)
- Net result – smaller universe with lower response rates

- **Previous market – we didn't have to be good**

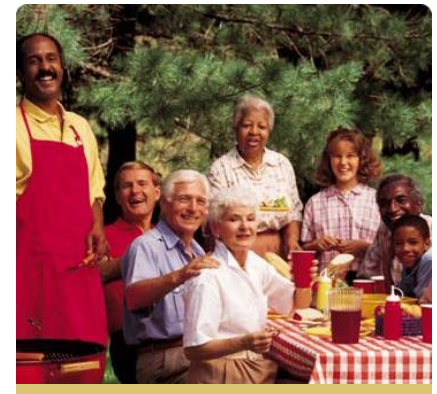
- ♦ *Need for leads; more is better* (conversion rates – 2-5%)
- ♦ Me too
- ♦ Treat everyone the same – message; marketing channel; loan

- **New market – we have to be great**

- ♦ Fewer leads; more targeted (conversion rates required – 5-20%)
- ♦ Treat everyone different – message; marketing channel; loan

Step 1 – Know Your Borrower

- **Conduct detailed customer surveys**
 - ◆ Respondents, non-respondents, funded and non-funded
- **Custom loan products that meet specific borrower needs**
 - ◆ One size doesn't fit all anymore
 - ◆ FHA, Reverse Mortgages, Multicultural...
 - ◆ Become an expert
- **Close the information loop**
 - ◆ Perform real-time campaign analytics
 - ◆ Apply what you learn



Step 2 – “Survival of the Fittest”

- Improve Traditional Channels
 - ♦ Direct Mail
 - “Smart data”; relevant messaging; timely impressions
 - ♦ Telemarketing
 - “Smart data”; scripting; re-engineer process
 - ♦ Broadcast
 - Improve ads and media buys
- Integrated Multi-Channel Approach
 - ♦ Harvard Business Review article
 - ♦ Tear down the silos
 - ♦ Reset
- Recycle Leads
 - ♦ Go Green!
 - 25% of leads will fund within 3 months; 40% within 6 months!
 - ♦ Promotional history db; append; ongoing dialogue
 - *Increase your revenue 10x or more per dollar spent!!!* – CPL \$165 vs. \$2,476
- Strategic Alliances

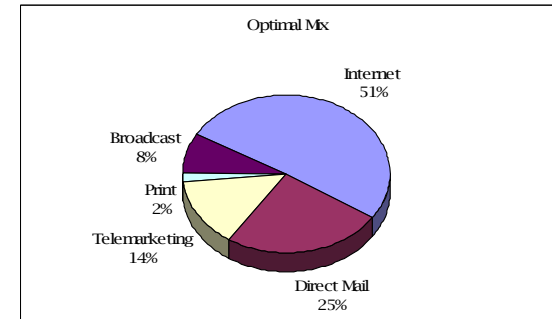
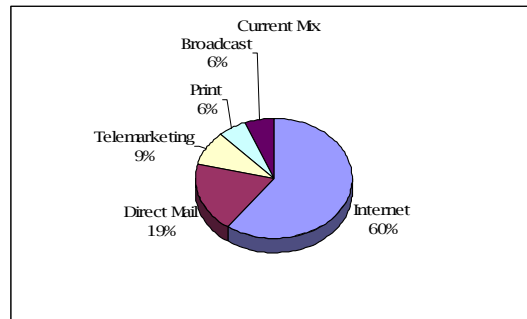
Step 3 – Test

- **New marketing channels can give you a competitive advantage and become the dominate lead source with time**
 - ♦ Historical – DM; TM; VB; email blasts; key words; banner ads, SEO...
 - ♦ Internet - \$24 billion
 - ♦ Blogs
 - ♦ Online video – 56 million broadband
 - ♦ Podcasting – 80 million iPods
 - ♦ Mobile – Google GPhones; 233 million; \$11.4 billion by 2011
 - ♦ Other emerging media...



Step 4 – Measure and Optimize!!!

- **Perform Campaign Analytics**
- **Optimize Based on Business Objectives:**
 - ♦ # of leads per loan officer
 - ♦ Budgeted \$
 - ♦ # of loans
 - ♦ Market Share (loan volume)
 - ♦ Profitability
- **Total Optimization Process (T.O.P. – Asset Allocation)**



Marketing Medium	Weighting
Internet	60%
Direct Mail	19%
Telemarketing	9%
Print	6%
Broadcast	6%

Marketing Medium	Weighting
Internet	51%
Direct Mail	25%
Telemarketing	14%
Print	2%
Broadcast	8%



TECHNOLOGY

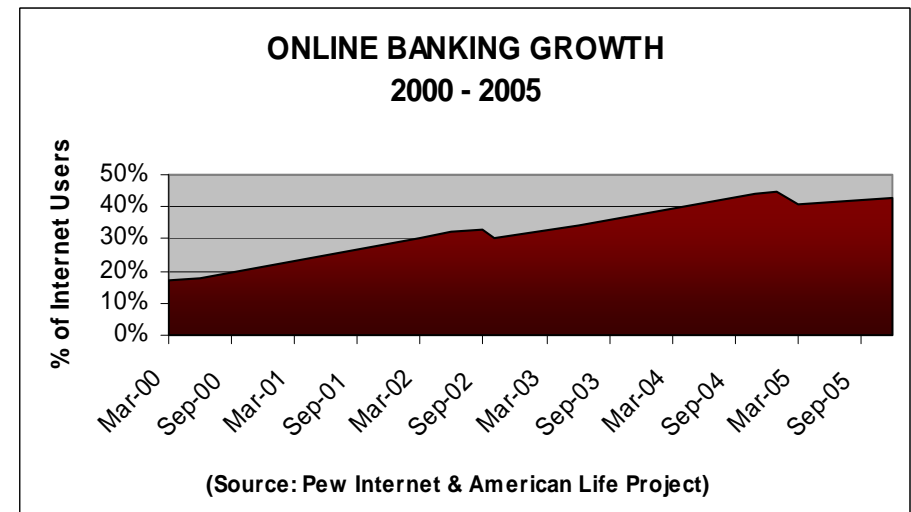
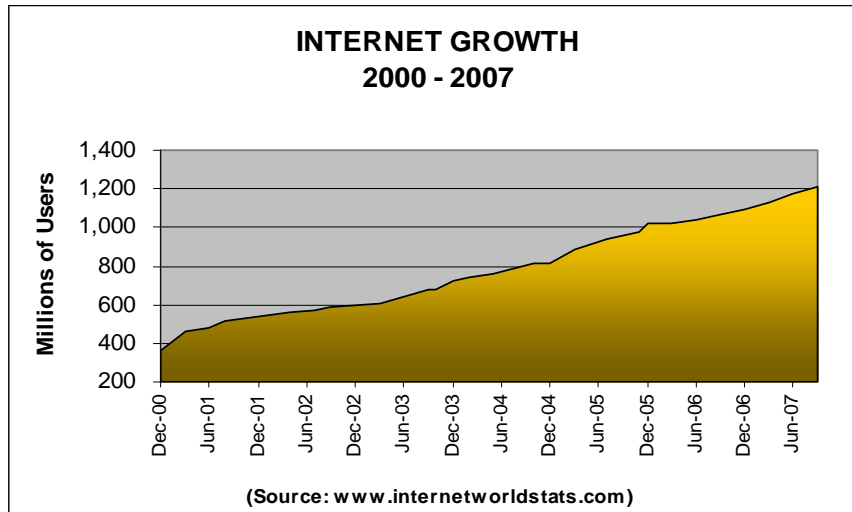
Meeting consumer requirements for speed and simplicity

Rick Allen

Director of Strategic Initiatives, Mortgagebot, LLC

Meeting Consumer Demands at the Point-of-Sale

- **Online Proliferation**



- ♦ Consumer demands for speed and simplicity fuel dramatic growth in adoption rates of internet and online banking

Meeting Consumer Demands at the Point-of-Sale

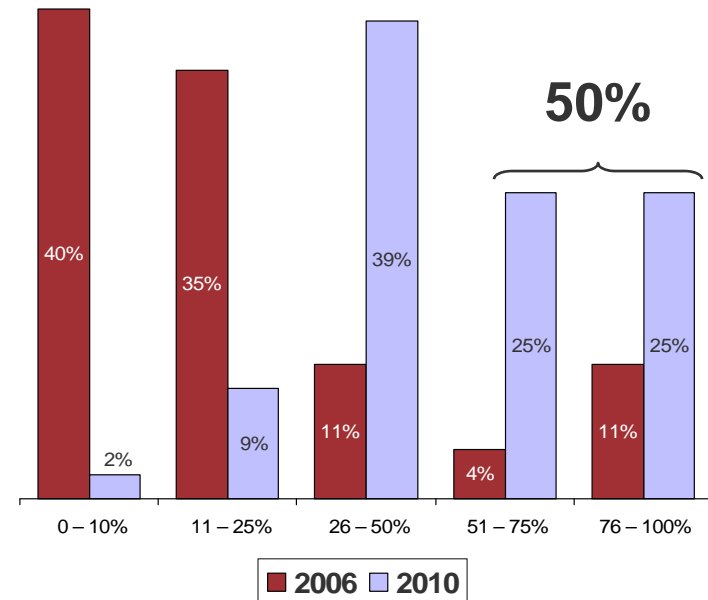
• Online Mortgage Activity

Today	Tomorrow
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70% of consumers research mortgages online
(Synergistics Research)

20% of consumers prefer applying online
(Jupiter Research)

73% increase in online originations for top 20 originators in Q2 '07
(Mortgage Technology)



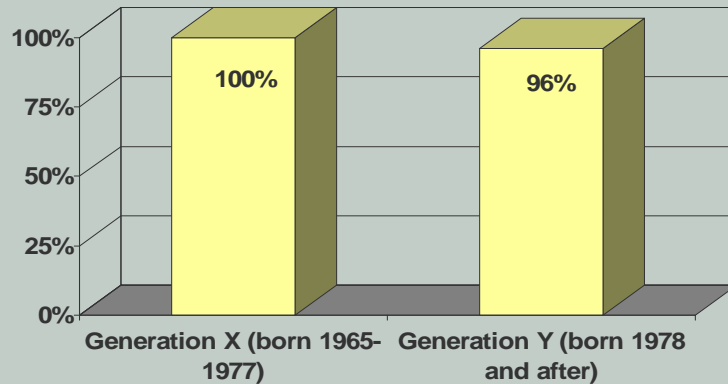
Fifty percent of lenders expect online originations to exceed 50% in 2010

(First Wellesley Consulting – electronic poll of Mortgagebot clients)

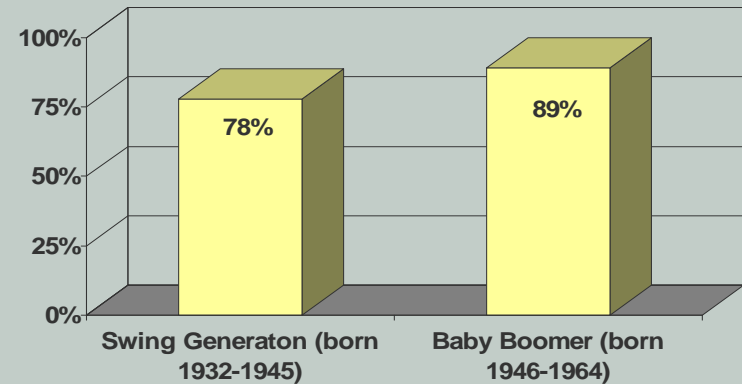
Meeting Consumer Demands at the Point-of-Sale

- **Channel Preferences by Generation**

During '07-'15, the Internet will be the primary channel for which generations?



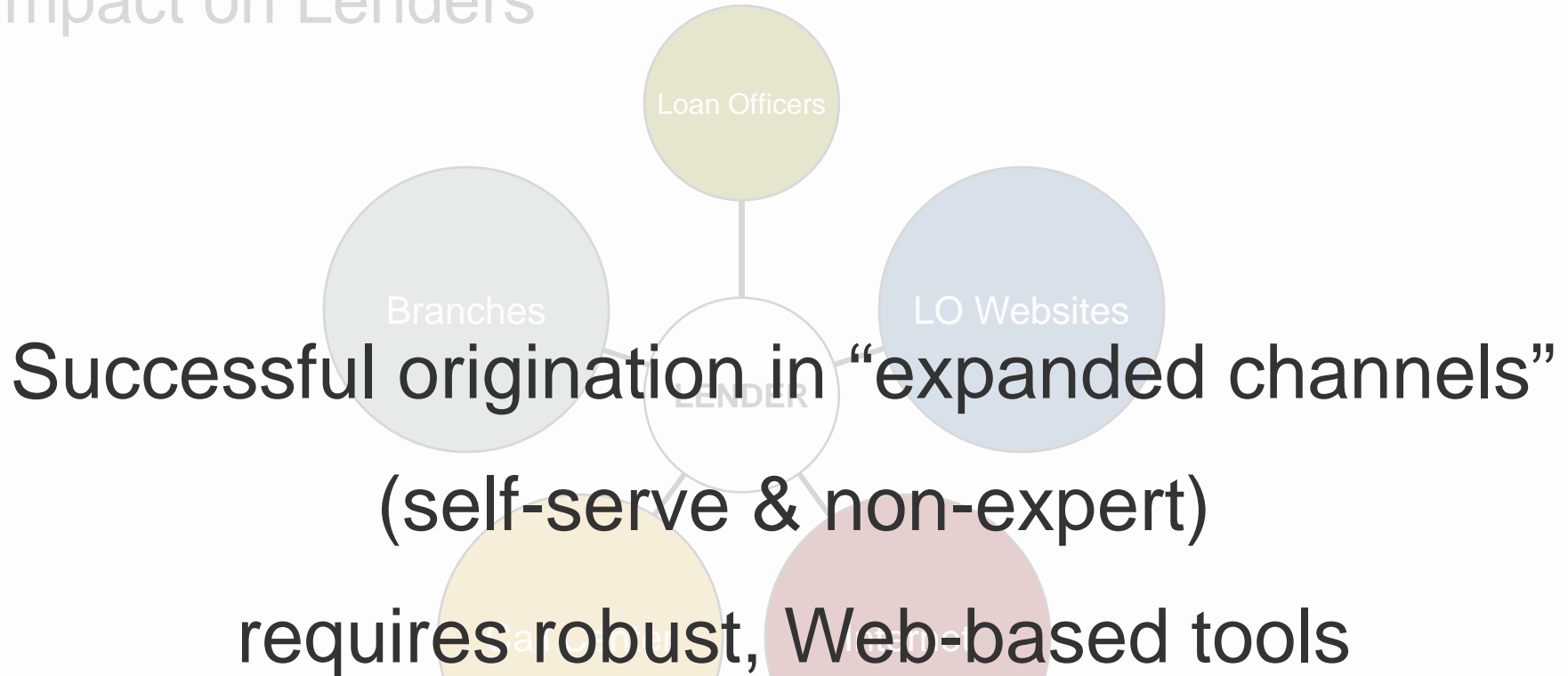
From '07-'15, the bank branch will be the primary channel for which generations?



- ♦ Channel preferences vary significantly by generation
- ♦ Lenders can't afford to ignore this dynamic

Source: First Wellesley Consulting - SurveyMatters: New England School for Financial Studies, May 2007

Impact on Lenders



... the consumer demand for speed, convenience, and choice requires origination capacity in all channels

Meeting Consumer Demands at the Point-of-Sale

- **Required System Tools for “Expanded Channels”**
 - ♦ Accurate, personalized rates & fees
 - ♦ Automated determination of program eligibility
 - ♦ Dynamic, easy-to-use, intuitive application
 - ♦ AU integration enabling POS approval
 - ♦ Automated disclosures
 - ♦ Calculators & educational materials



Technology

Rick Allen

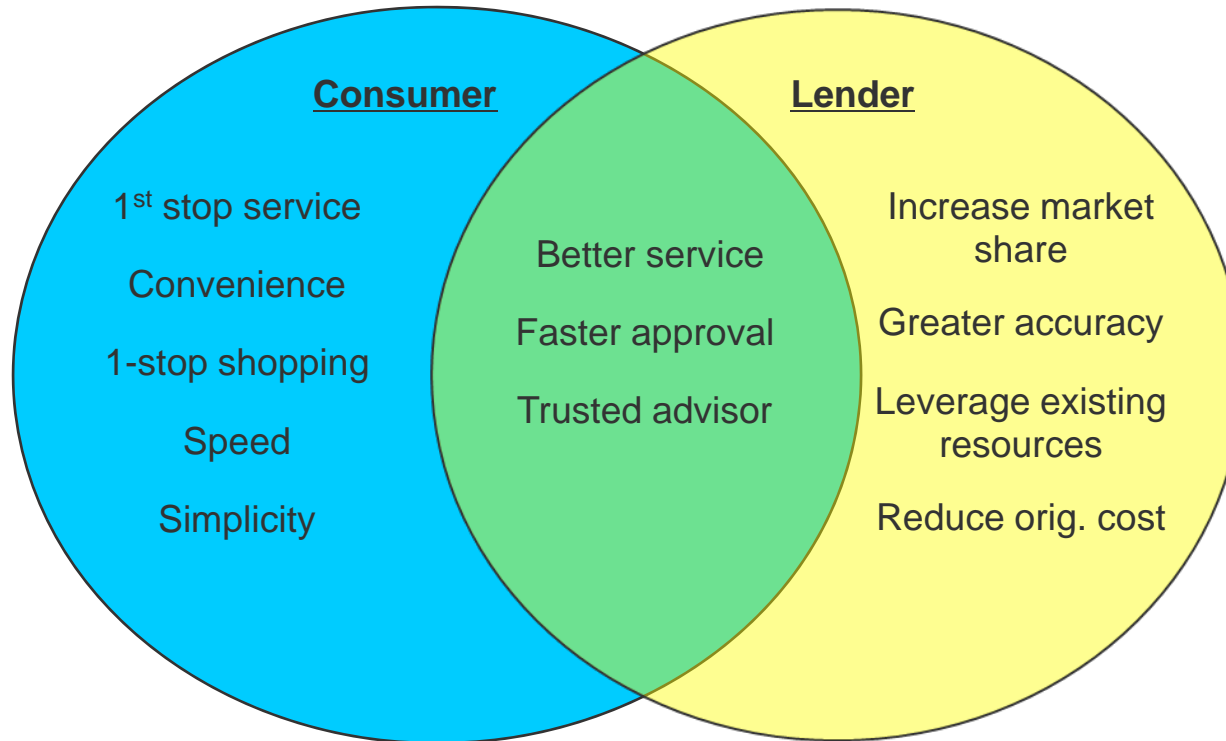
mortgagebot™

The leading online origination technology™

Meeting Consumer Demands at the Point-of-Sale

- “Expanded Channels” Serve Multiple Needs

Internet, Branch & Call Center





MORTGAGE LENDING

Putting new practices into action seamlessly

Jay Plum

*Executive Vice President National Home Equity and Specialty Lending
Charter One Bank*

For starters

- **Established National Home Equity and Specialty Lending in 2005**
- **Focus is on distribution channels other than a traditional Bank branch**
- **Two primary channels: Internet and broker**
- **Very tight credit guidelines**
- **Has grown to over 2 billion in originations**
- **Primary competitive emphasis is service**
 - ♦ 30% of home equities go to funding within 48 hours of application
 - ♦ Recognized for outstanding service from some of our Internet aggregators
 - ♦ Have recently had a Net Promoter Score of 69

Customer Expectations – they want it all

- **The customer, regardless of the channel of origination, is very demanding**
 - ♦ Speed
 - ♦ Communication
 - ♦ Price
 - ♦ Trust
- **In developing a means to speak with the customer (sales process), a few key things make up the secret sauce**
 - ♦ Proactivity
 - ♦ Clear and constant communication
 - ♦ Established expectations so no surprises



Customer Expectations – they want it all

- **Top items from our research and from JD Power study**
 - ♦ Speed of process
 - ♦ Application simplicity
 - ♦ Loan status updates
 - ♦ Courtesy/friendliness
 - ♦ Closing convenience
- **Customers who have a problem that is resolved quickly and positively end up being even more satisfied**
 - ♦ They want to know that you think they matter
- **Hold their hand through the process**
 - ♦ its their house and its their most important asset



Our Process

- **Focus on the Client**

- ♦ Sustainable Competitive Advantage is Customer Contact / Service : Speed is important, but attentive service more so. Use every means to make things easy.
- ♦ Someone “owns” the Customer Contact: Customer wants a champion in the process
- ♦ Continual Re-evaluation of the Process: Share good ideas and eliminate unnecessary steps
- ♦ Create Dramatic Difference in Customer Experience: Developing an intimate relationship with the Customer

- **Continual Improvement is Critical**

- ♦ Measure Capacity & Adjust Distribution by Channel: Diversify sources, test, review results, expand or reduce. Be proactive in managing salespeople capacity.
- ♦ Measure colleagues and talk to customers: Supervisors call 5% of clients each month to confirm and evaluate the process. Clear need to measure and evaluate everything that is important.
- ♦ Humility – we had a great idea yesterday : Manage with the knowledge that there is always a bigger fish



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