

# Create a New & Easy Profit Center

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For the past two years, you have refinanced every homeowner you could, lowering their rates and saving them thousands of dollars. And your competition was busy doing the same. Now that interest rates are creeping up, how can you effectively and profitably stay in touch with your clients and continue to generate both referral and new business?

About six months ago, I started looking outside the mortgage industry to see what other ancillary mortgage or finance-related products and/or services were available to add to our lending business. My goal was to find products to benefit our existing clients and provide additional revenue without my having to spend a great deal of time learning new skill sets. I looked into getting my real estate brokers' license, branching into small commercial lending and providing tax preparation services. While each has potential merit and may be right for some companies or mortgage professionals, none met my goals of ease of entry and marketability.

Then, a colleague mentioned his success at marketing a bi-weekly equity-building system to his clients. The service helps clients build equity and pay their mortgage off more rapidly, saving thousands of dollars in interest payments. How? By making 26 half payments per year instead of one payment every month. I had always shown my clients how much money they could save by making a small additional payment every month or by making an additional principle payment every year. However, I had never thought about offering such a service as a potential profit source since I didn't see why clients would pay for a service they could basically do on their own for free. Then again, if more clients would simply pay their bills on time, they wouldn't need to pay higher rates for subprime mortgages.

So, I decided to call a few clients who refinanced to low interest (6% or lower), fixed rate loans and get their reactions to such a service. By entering basic loan information for each client, I was able to print out a one-page breakdown showing how much interest each client could save over a specified period of time and over the life of the loan. If nothing else, I figured that this information would be a good reason to contact and keep my name in front of clients and ask for referrals.

By phone, I told them about a new financial service enabling them to build equity more rapidly while saving thousands of dollars in interest payments. The service is fully transferable if their servicing ever gets sold, they refinance, or sell their home and obtain a new mortgage. We discussed each specific situation and how much they would save over a five-year period of time and over the life of their loan. We also looked at how their savings multiplied by adding \$25.00 or \$50.00 to each half payment.

To my surprise, four of the first ten clients I approached decided to utilize the equity-building system and thanked me for bringing this opportunity to their attention. Two of them decided to pay up-front for the service (\$395-\$495 depending on the size of the loan) and two of them chose a "no up-front fee" option.

The bi-weekly program has turned out to be a very effective marketing tool and profit center. It provides a good reason to touch base with existing clients, show them a new financial tool that can save them money and review their existing financial situation. We have even realized a few additional loan referrals from our existing clients. By offering this service to new loan prospects, we point out how they will pay their loan down and build equity more rapidly. Whether they choose a fixed or adjustable rate program, the

bi-weekly program can be attached to any loan program. It even helps build equity with interest-only loans.

In a relatively short time, we have experienced the following benefits:

- Increased profits and good will from marketing to our existing client base;
- Additional loan volume from existing client referrals;
- A higher loan conversion rate and increased profitability with new prospects. By showing clients how they can save more money utilizing a bi-weekly payment program, the "rate" game becomes less important in the client's decision-making process;
- Increased traffic and exposure to our Web site;
- Providing a bi-weekly program for clients' new loan when they go elsewhere for a loan. In these cases, we also realize some additional revenue and position ourselves for future referrals;
- An additional revenue stream and a higher "prospects-to-clients" conversion rate while other companies' business is slowing down or they are spending more marketing money to generate leads.

Based on the recent success of my little six-person office, there is no reason why a bi-weekly payment program shouldn't be an important product in every mortgage company and loan originator's arsenal as a marketing tool and income source.

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