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WHITE PAPER

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Best Practices for Leveraging Mortgage Acquisition Triggers

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A White Paper on Leveraging Trigger Leads for Mortgage Marketing

This white paper outlines how Mortgage Acquisition Triggers can be leveraged to generate incremental funded loans.

Introduction

Tranzact Information Services provides a revolutionary data product called Mortgage Acquisition Triggers which enables lenders to target consumers actively seeking mortgages. This product leverages the monitoring technology used by credit bureaus to identify consumers who have recently had mortgage-related credit inquiries.

Many lenders and brokers believe that the only way to leverage these consumers is to contact them via telemarketing immediately after an inquiry is posted. This comes from the following market beliefs:

1. The best results are achieved when contacting consumers as close to the mortgage inquiry as possible; and
2. Consumers contacted more than 14 days after a mortgage inquiry will not respond to direct marketing.

When using Acquisition Triggers, there are two factors to consider:

1. What channel should be used – direct mail or telemarketing?
2. When is the optimal time to contact the consumer?

Based on a thorough analysis of consumer behavior and campaign performance, we have concluded that direct mail needs to be part of any successful Acquisition Trigger program.

Analysis

The following is an analysis of an Acquisition Trigger campaign conducted by a large lender. This campaign targeted homeowners in the states of California, Colorado, Connecticut, Florida, Illinois, Massachusetts, Minnesota, Michigan, and Washington.

Figure A

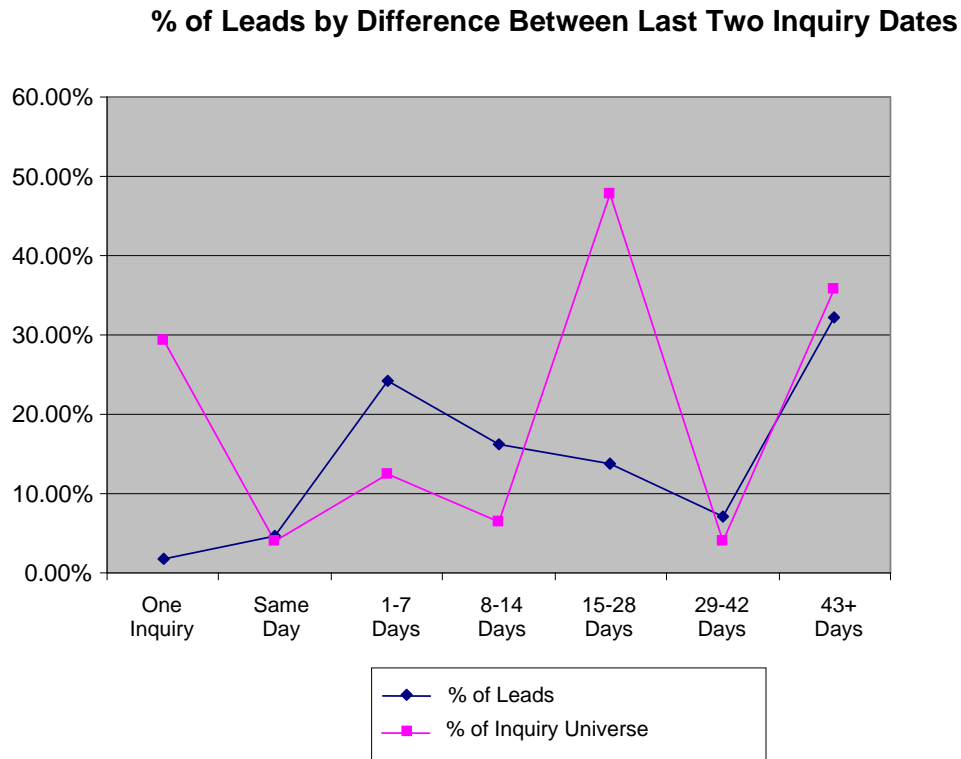


Figure A shows the correlation between the credit shopping habits of consumers and their willingness to listen to other credit offers.

Consumers who have only one mortgage inquiry convert at a much lower rate than expected. We classify these consumers as “Credit Buyers.” Credit Buyers conduct extensive research on mortgage providers, products, rates and terms to educate themselves about the mortgage transaction they are pursuing before they submit an application for credit. Since they have performed the due diligence necessary to make a decision, Credit Buyers are less likely to listen to other offers.

Consumers with multiple inquiries over a short period of time convert at a higher rate than expected. We classify these consumers as “Credit Shoppers.” Credit Shoppers conduct very little research before applying for credit. These consumers have demonstrated a willingness to listen to alternative offers based

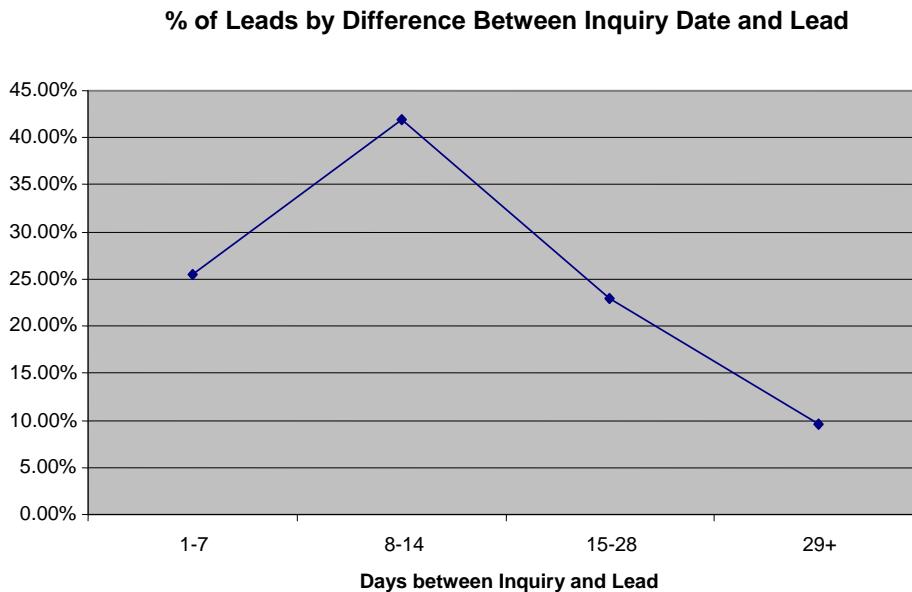
Mortgage Acquisition Triggers

on the fear that they may not have considered all the options available to them and a desire to obtain the best deal possible.

The next group consists of consumers with multiple mortgage inquiries that span more than a 28-day period. We classify these consumers as “Traditional Credit Buyers”. Traditional Credit Buyers exhibit a propensity to listen to other offers at a rate no higher than the average consumer.

Special consideration should be given to consumers with mortgage inquiries spaced 15 to 28 days apart. While these consumers make up 48% of the data universe, they represent only 14% of leads. This disparity is explained by considering that the typical mortgage transaction takes 14 to 30 days to close. The lower response rates versus the average indicates that many consumers with inquiries spaced 15 to 28 days apart are consumers closing a loan and the triggering inquiry is the final credit report pulled just before closing. The responding consumers are borderline Credit Shoppers as indicated by the longer time period between inquiries. This group represents the most costly group targeted but is still more cost effective than non-trigger prospects.

Figure B



The purpose of Figure B is to illustrate the viability of targeting consumers several days after a mortgage inquiry. An analysis of the leads generated from triggered sources indicates contacting leads immediately after a trigger will not yield significantly higher results. Figure B shows the largest percentage of leads generated 8 to 14 days after the triggering inquiry. This analysis suggests a consumer’s commitment to a lender is lowest the week after applying for a loan. Additionally, the effective life of an Acquisition Trigger is closer to 30 days versus the 7 to 14 days as originally theorized.

Should I Call or Mail?

One of the most important decisions to be made in optimizing trigger marketing is determining the best deployment method for communicating with the target audience. Which is the most effective channel - telemarketing or direct mail? Initially, the logical choice is to implement a telemarketing campaign which enables you to contact the consumer as quickly as possible. Is timing the only factor you should consider when choosing a direct marketing channel? One of the most important elements direct marketers fail to take into consideration is the consumer behavior associated with the lead generated from each channel.

Leads generated via telemarketing tend to be very actionable, meaning the prospect demonstrates a propensity to conduct a transaction if the marketer can provide value at that moment. They also tend to be more deal oriented. "Can you beat my current rate?" is a typical question from a lead sourced via telemarketing. While telemarketing leads have a higher perceived sense of urgency, they also have a significantly higher probability of demonstrating the opposite extreme by exhibiting behaviors associated with a consumer who is completely not interested in the offer. Telemarketing leads are typically a "one call close" and require little follow up. Companies choosing telemarketing as a channel for lead generation should be prepared to put their best offer first while they have the attention and interest of the prospect.

Leads generated via direct mail tend to have high levels of interest but want to be informed of their options prior to making a deal. Direct mail leads convert at the highest level due to the self-selected nature of the responder. Direct mail leads have consciously made the choice to respond. Unlike a telemarketing lead where the choice to respond may be a concession, the choice to respond for a direct mail lead is based on genuine interest. This genuine interest enables marketers to convert a significantly larger percentage of leads to closed loans.

Other than a lead who responds immediately with "I need a new loan and want to do it fast," the best response a mortgage professional can hear would be "I have an interest in doing a loan. Please inform me of my options." The latter is the very essence of a lead generated by direct mail.

Loan officers who rely on inbounds or referrals frequently find that the interest in doing a transaction already exists and minimal selling is required. Many lenders who have built their company on inbounds and referrals make the mistake of attempting to augment their business via telemarketing. This demoralizes loan officers who are cultivating "preexisting interest" rather than "creating interest." Leads generated by direct mail mitigate this issue. They are expressing a pre-existing interest and need only a little more coaxing than a referral to move forward.

So why aren't more lenders conducting direct mail programs to help grow their mortgage business? The need for instant gratification among mortgage direct marketers often prevents them from pursuing direct mail programs. Many

Mortgage Acquisition Triggers

lenders do not have the patience to wait the 7 days required to see the first set of responders to a direct mail campaign. It is also difficult for many lenders to accept that it will take approximately 45 days to complete the full cycle of a direct mail campaign.

Lenders gravitate to telemarketing because they can quickly acquire a list and start dialing. They have almost instant gratification. Many mortgage direct marketers prefer repeating their best hard pitch to hundreds of consumers with the hope of creating interest among a handful of individuals. If the interest they created can be converted into a loan, the lender knows in a few days if the list is good. For this reason, most direct marketing in the mortgage industry is conducted via telemarketing. The most successful lenders have discovered that if they control their need for immediate gratification, they experience far better results over time by deploying direct mail campaigns instead of or in addition to telemarketing.

Why Trigger Acquisition Marketing Works With Direct Mail

When it comes to direct mail, the numbers are on the lender's side. With the advent of the National Do Not Call Registry, the number of consumers who can be contacted via phone has been reduced to just 20% of all homeowners. That means for every homeowner who can be marketed to via telemarketing, there are four additional homeowners who can only be marketed to via direct mail. As such, there is a huge, untapped universe of qualified and motivated direct mail Acquisition Trigger prospects. Since fewer lenders are using direct mail as compared to telemarketing, there are many more consumers that are likely to be receptive to your offer via the direct mail channel.

Most marketing to Acquisition Triggers is conducted via telemarketing based on the theory that if you contact a consumer within a day or two of the inquiry you will achieve the best results. Our analysis shows that lenders targeting Acquisition Triggers several days after the initial inquiry have far greater success than those lenders who make immediate phone contact. We believe this success is the result of the end of the "honeymoon period." This is the time when the consumer is most happy with the lender to whom they have just submitted an application. During the honeymoon period, the consumer is not willing to listen to offers from other lenders as they see no reason to do so. Just like with a new marriage, for some the magic wears off and they begin to question whether they made the right choice. According to popular culture, it takes seven years to question a marriage decision. In the direct marketing world, it takes seven days to begin to question a purchase decision. Lenders who communicate their marketing message to Acquisition Triggers after seven days will find the largest audience of consumers questioning their decision and, as a result, they will experience the highest response rates.

Given that it is not imperative to contact Acquisition Triggers immediately after the mortgage inquiry date, direct mail becomes a more attractive option. Many marketers will find conducting direct mail marketing to Acquisition Triggers will produce the strongest response rates and the highest conversion rates of any

Mortgage Acquisition Triggers

dataset. If you can overcome the need for immediate gratification, there is a larger, untapped universe of direct mail Acquisition Triggers waiting for you.

Contact Information

Tranzact Information Services LLC simplifies and automates marketing information services providing insight to our clients and partners to support their acquisition, cross-sell, and retention marketing programs. Tranzact Information Services LLC helps marketers improve their marketing initiatives by optimizing their current marketing information and providing easy and flexible access to our unique multi-sourced data. Tranzact Information Services has assembled an extensive universe of multi-sourced credit information from all three credit bureaus, public records, property, home valuations, demographic and behavioral information. Tranzact Information Services LLC leverages this information to provide unique prospect data sets, universe lift, and optimization techniques to help marketers improve their ROI.

Tranzact Information Services LLC
301 Yamato Road, Suite 4150
Boca Raton, Florida 33431
1-888-707-7600
www.tranzactis.com