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Selling to Lenders

By Steve Kropper, President, Bank on Real Estate



Steve Kropper

It's a little known fact that Diana Ross wrote the lyrics to her hit song "You Can't Hurry Love" in the lobby of a mortgage bank when she was doing sales for a LOS vendor. Consider this verse:

You can't hurry love

No, you just have to wait

You got to trust, give it time

No matter how long it takes

Sounds like the lonely lament of a tech sales person in the mortgage sector.

Although lenders are hungry to improve their operations, most new tech offerings never get serious consideration by lenders. All sales take time and result from the same methodical process. You can't hurry sales to lenders. It does not matter that YOUR venture funding is about to run out, or that YOU need more sales to close the quarter, or YOUR board is breathing down your neck. Selling to lenders requires a campaign. You can't hurry the process. I have closed deals with CitiMortgage, GMAC, Bank of America, Chase, Countrywide, IndyMac and many others. So that more good products can get lender attention, I offer the following prescription for tech sales to lenders.

Before they say "yes", lenders need heavy doses of word of mouth, trade press validation and face-to-face contact. And each of these inputs needs to address trust, financial performance and execution risk.

Word of Mouth

Lenders are desperately looking for vendors they can trust. A bad vendor experience stays in memory longer than a favorable one. Favorable rumors and second hand comments are good, but one degree of separation is better. Lenders look to competitors, analysts, colleagues, fellow committee members, reporters and investors for advice. These contacts happen in the hallway, at conferences, and in dozens of informal networks. So your campaign needs time to build and nourish a network. I have 5,800 people in my personal database. A vendor's word of mouth campaign needs to be broad, targeting the dozen people at each lender who have veto power over your deal. Beware of focusing on a single product champion. You can't succeed with just have one point of contact at a lender. In my last deal with Bank of America, over a dozen people influenced deliberations. You need to know each of them, know their departmental perspective and past vendor experiences.

Objections to your product will pop up like prairie dogs. Don't avoid talk of problems or impediments to an agreement. All objections will be raised, probably when you are not there to refute them. So you need to ferret out their



reservations, and slay them one by one. Equally important, each influencer needs to know and trust you as a vendor, as an executive, as a technology seer and a manager. They need to know that you will stay engaged even when the sale is done. They need to know you personally. Your word of mouth campaign should target analysts with firms like Gartner, IDC, Mortechnology, Forrester, Tower Group, Stratmor, MBA. Like the trade press, they influence lender decision making.

Hired Word of Mouth

It takes years to build trust with lenders, and you may not have the luxury of years before your first sale. If you get through to a respected industry veteran, you may be able to engage them in a passive role as advisor or a more active one making introductions and helping you sell. Pick one that insists on disclosing to their contacts that they are being compensated. This person probably has more trust with lenders. Another hired gun is the PR agency. Most tech companies should spend more on PR. I'm soured on all but one PR agency in the mortgage sector, and believe that you may need to develop competence INSIDE your firm on the market, trade press and communicating to lenders. Be suspicious in evaluating agencies and allies for hire.

Trade Press

The trade press is hungry for real technology stories. They are your allies and they want to help. Read stories and check the byline (author's name) from National Mortgage News, Mortgage Technology magazine, Mortgage Banking magazine, MBA Newslink and Inman News. Like ads for cars, soap or dog food, lenders involved in procurements need repeated exposure to news stories before they feel comfortable. If the press covers you, lenders feel there might be a story worth hearing.

When you call a reporter don't just pitch your product, pitch your vision. Make the call a brief seminar on your vision for lending. Sketch out the trends you see, and how you fit in it. Reach out to the press when you are developing your product. Call early in your product life cycle even before you have the first customer. Call again when you land that first client. Don't press for a story, but show that you are building momentum over time through repeated contact. Don't expect press coverage until you have at least one lender using your wares. A real customer, any lender however small, is important validation. And never lie to the press, never exaggerate. The trade press has the same quest for truth as lenders, and you need to build trust for the long term.

When they write a story about you, buy the reprints and distribute them to your targets. The publication needs your support (money) and you need their imprimatur. Your sales targets will probably overlook the issue or page that has the great feature story on your new product. The onus is on you to distribute the articles over and over again. Know the media preferences of your sales targets: how does your sales target like to be contacted and informed? Build a database of their mail, fax or e-mail contacts at lenders. When the trade press covers your product, your company, your customer wins, make sure that reprints go out to the dozen key influencers at each of the thirty lenders you are targeting. Most companies labor like Hercules to get a story placed in the trade press, but then don't reprint and capitalize on it.

Do it yourself trade press works too. At least quarterly I write a White Paper, an analysis piece on the industry and distribute it to a large e-mail list. It subjects my field observations and thoughts to the rigor of the editorial process. It gives me feedback from a large audience which improves my products, and if my forecasts are correct, gives my contacts a glimpse of how the industry might evolve. Recently, I've pre-released my White Papers to a small audience for review and comment before they got published. The readers appreciate the early look, and their comments sharpen the result.

Face-to-Face Contact

Get on the road. Say "yes" to meetings. I have never closed a deal with a major lender without repeated contact at conferences, in their offices or as they visited

our facilities. Travel and face-to-face meetings remain important. Also, until you can draw their organization chart in your mind, you won't close a deal.

MBA conferences, SourceMedia, the Predictive Modeling conference, RealTrends, RIS Media and Inman's Real Estate Connect events are critical. As with word of mouth and trade press, lenders are looking for third-party validation, so being on a conference panel shows that you have successfully passed through the organizer's trust filter.

In closing, here are the two most important reasons for face-to-face contact. Much of business is a grind, and if we don't take time to enjoy our peers in the industry we are missing the company of fascinating, decent people. Have dinner with these folks, tell your story, and listen to theirs. Enjoy them. And second, only through face-to-face meetings can you understand your clients' real concerns, uncover hidden opportunities, tune your product to their needs, and learn their language and organizational challenges.

Take Baby Steps

Most vendors ask too much of a lender, as they bring the draft multi-year agreement out early. The transition from courtship to closed deal is too big a leap for most lenders. I recommend a four-step process. First get the lender to sign a non-binding LOI committing to jointly explore integration of your technology, develop a forecast and draw up terms and conditions of a deal. Second, collaborate on building a financial model together. Third, develop a short non-binding term sheet that covers all the key points of the deal. The devil may be in the details, but the bigger devil is in the basic terms and conditions. By this time, you have given the lender a chance to evaluate you, and you are familiar with the client. So, the last step is the long term agreement. But don't worry about term. Lenders don't fire vendors who perform unless there is a merger. If you insist on a long term deal, the lender will take longer for due diligence.

Steve Kropper is President of Bank on Real Estate, a director of New Homes Realty, an advisor to IFLEX Solutions and consultant to TotalMove (a great incubation partner).

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