

Differentiating yourself on advice, instead of rate.



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Peter Majthenyi explains how to stop competing on price—and win more deals!

NP: In today's competitive environment, the focus always seems to be on who has the best rate. What's the downside for brokers who position themselves as always having the best rate?

PM: The downside is that your product becomes a commodity, the same thing everybody else is selling. In my marketplace, there are 52 mortgage suppliers so obviously there's a lot of redundancy in rates. I tell my clients, "Getting the best rate or matching the best rate isn't an issue with so many suppliers out there." But if rate is all I'm offering, I'm the same as everybody else and I really can't sell very many mortgages that way. The bottom line is you have to add value.

NP: Is this focus on rates something new, or have brokers always been tempted to make rates the focus of their business?

PM: Ten years ago, brokers could always offer the best rate because the branch system wasn't discounting. So you could sell mortgages based solely on rate. But the market has changed significantly in the last ten years. Of course, as brokers we still have discounted rates, but now so do the banks. They got wise. In my opinion, the banks used to think clients would stay with them based on routine or loyalty. They didn't think they needed to cut their rates. So brokers with discounted rates from lenders like FirstLine became significant competitors. But now the banks have caught on to discounted rates. They realize clients are no longer staying with them simply out of loyalty. So while ten years ago it was easier for brokers to sell on rate, today you have to have a differentiator.

"Ten years ago it was easier for brokers to sell on rate. Today you have to have a differentiator."

NP: What's your differentiator?

PM: The differentiator is that the lender is only a mortgage supplier. They just supply the product. What makes me different is that I'm a mortgage consultant and a mortgage manager. I consult with clients then manage their mortgage after closing. Banks don't do that. Banks

don't offer choice. Banks don't usually get into historical data, your personal budget, your financial goals and what you should be considering based on your profile and demographics. Banks typically supply the mortgage and hope you don't shop around so they don't have to compete.

Let's say you've got a \$350,000 mortgage. If you had \$350,000 in your investment portfolio, you'd have a financial planner. The idea is no different with mortgages. You need a mortgage planner, someone who plans your strategy on an ongoing basis until you pay the mortgage off. Banks don't do that. And they can't do it because they have an agenda to sell a particular mortgage product. But as brokers, we're a conduit to all the products out there. I always say to clients who tell me they're already pre-approved with their bank, "Well, you're half way up the mountain. Now I'm going to take you to the top."

NP: Are clients even aware they need this advice, or is it an education process?

"What makes me different is that I'm a mortgage consultant and a mortgage manager."

PM: Absolutely, it's an education process. Even though they need a mortgage planner, often they don't know that's what they need. They think they're just supposed to get a good rate. When clients call, often

the first question they ask is about the rate. I tell them quite clearly that getting them a great rate won't be any problem whatsoever. Then I explain that our process is going to be 90% education. Most of my time will be spent educating them, drilling down the differences between the mortgages, and when they're done, they'll know exactly why they made the choice they did. They begin to realize that since this is a 15-20 year investment, they better know what they're doing. They certainly don't get that kind of support when they go to a bank.

NP: So you do make sure they understand they're going to get the best rate?

PM: Absolutely. Please don't get me wrong. The focus is not on the rate, but it's still a component of what we're doing—a very important component. Getting a mortgage is about rate, it's about privileges, it's about planning, it's about being advised now and after closing. It's about lots of things.

NP: Do clients see advice and education as part of receiving good service?

PM: I don't think educating clients and providing good advice relates to service at all. Good service is another commodity in this market. If you don't have good service, you're not even in the game. Service in this day and age is a given. If you don't have that, you die.

NP: So if rate is a given and service is a given, all that's left is the trusted advisor role?

PM: Exactly.

NP: What happens when everybody starts becoming a trusted advisor?

PM: I don't think a branch can be a trusted advisor. How can they do that if they're working for the institution? The institution is paying their bills and they only have one product to sell. Branches becoming trusted advisors is an oxymoron. How can you shop around when there's only one store?

On the other hand, if every broker were to become a trusted advisor, that's great! That's what we're hoping for.

What if the client says ...

I don't see brokers as my competition at all. My competition is 100% branches. If someone comes to me and says I've been to a broker, I say, "Great. Are you happy with their advice?" If they say, "Ya," then I say, "Well, what I'm going to tell you is going to be redundant. So if you don't have any problems with them, you're in good hands."

NP: To properly educate clients and become trusted advisors, do brokers have to make a real effort to educate themselves too?

"How can you be a trusted advisor if you don't have the knowledge to give good advice?"

PM: Absolutely. That's what The Mortgage Training Group is all about. We provide everything brokers need to know, including how to access and interpret all the current economic news. If bonds are going down, you have to be able to answer, "What's happening with mortgage rates?" Or if Prime is going up, "What's

happening with variable rates?" How can you be a trusted advisor if you don't have the knowledge to give good advice?

NP: What about brokers who say they don't have time to provide all this education and advice to clients?

PM: My response would be, "You mean you're earning a couple of thousand dollars per transaction and you don't have time to advise your clients for two or three hours through the whole course of their mortgage?" I guess brokers who think that way could try to sell on rate instead, but I don't think they'd be very successful.

NP: If you were a beginning broker who didn't have access to the very best rates, could you still win clients by being a trusted advisor, even though you're offering a second best rate?

PM: I think so. Maybe not as many, but you'd still win deals. There are people out there willing to pay a premium for products based on convenience of the supplier, the sales approach, the rapport with the supplier. You'll always have people who'll drive around to 50 stores to save 50¢, but there are lots of clients looking for more than price. ■

Here's how Peter Majthenyi responds to typical client comments.

Client: "What's your best rate?"

Broker: "Before we get into rate, do you know what kind of mortgage you want? Have you done any reading or research on going fixed or variable and so on? Has anyone consulted with you? I can guarantee you the best rate or matching the best rate out there, but that's not really what this is about. It's about understanding what's the best thing for you. It's about taking all the hassles and second guessing out of it for you. There are lots of people who'll give you a great rate, but I really haven't done my job until I help you understand how to best use your money." (I'll also come right out and ask them if they've applied elsewhere. If they have, we discuss where they've applied and what that product looks like because I usually know it. If they haven't I say, "Great, we're starting with a clean slate." Sometimes it's actually better if they've already been to a branch because it just substantiates a lot of the things I'm telling them.)

Client: "I'd like to shop around a bit first."

Broker: "I encourage you to check with your bank. I'll e-mail you some questions to ask them so you can make a fair rate comparison and make sure you're getting the same level of flexibility and advice."

Client: "But all I really want is the absolute best rate."

Broker: "I can see the best rate is the only thing that's important to you and if you've got that rate elsewhere, great. Have a nice day." (If I've already explained all the extra value I bring to the deal and they're still just interested in rate, I let them go. It's all a numbers game. I give out free advice every day, and enough of those clients will be convinced with what I'm saying and stay with me. Of course, if they're saying, "I just need your rate," and they don't want to hear what I have to say, I don't spend a lot of time on them. I just wish them well and say good-bye.)

Client: "I ended up getting a better rate someplace else."

Broker: "By all means, take it. I've helped you understand your needs and the process better, so if you now can get a better rate, I recommend you take it." (By taking this constructive, supportive approach, I find many clients will still refer people to me. I get people calling me and apologizing that they had to go elsewhere—maybe their bank waived their existing discharge penalty or something else I have no control over—but they're sending their brother or sister to me because I was so helpful.) ■