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## LENDING

# TAKING A CLOSE LOOK AT NET LEADS

Smaller mortgage companies lack the time and ability to thoroughly analyze the performance of leads they get from the Web. One firm looks to unravel hidden ROI.

BY GLEN FEST

**I**N HOUSING'S HEYDAY, MAJOR lenders bought mortgage and refi leads by the bushel through aggregators like Lend-

ingTree or LowerMyBills.com, building up six-figure-plus monthly expenses.

But many of those leads that

previously breezed through to closing are now often DOA thanks to a tightened credit market and waffling buyers. "In the environment we're in, a loan can die very easily today," laments Jim Mack, a veteran sales vp at First Preferred Mortgage, a Southfield, MI firm that depends on online leads for 95 percent of its business.

Lenders like Mack have begun looking to more closely scrutinize leads, but are struggling with a core problem: they don't have the means.

Owner-operated mortgage brokers that lack a dedicated marketing division and in-house analytics have difficulty judging the ROI on what they spend on leads, and can't easily identify their own quality of execution of those leads among different credit bands, LTV ratios, loan amounts, etc. That wasn't a problem when these Web leads stuck to the wall, but lacking data on customer-acquisition costs and other marketing measurements mean lenders may be throwing money away or underper-

forming their sweet spots.

It's a gap that an upstart software and services firm managed by former Expedia and LendingTree executives is looking to fill in a new field being dubbed lead-performance optimization. Sparkroom, which had its coming-out party this April with a demo of its "Lead IQ" product at the influential Finovate startup show in San Francisco, is targeting mortgage companies with a hosted analytics toolset and consultant services that aim to give lenders a sharper look on lead channels, including those from the Internet.

"A lead is a lead is a lead, whether coming from LendingTree, your own Web site, or an existing customer," says Sparkroom CEO Jamie McDonald. "We want to figure out where our customers' closed loans are coming from, and how much money they're investing in each of those distribution channels."

One of the Charlotte, NC firm's initial test clients, First Preferred, has already come away

with some healthy improvement, according to the vendor: a 160 percent return on marketing ROI, and a 35 percent reduction in cost per lead.

“Back in the boom, my organization was doing \$200 million a month in originations, [and] I didn’t need analytics,” says Mack. Prior to deploying Sparkroom’s LeadIQ, Mack’s market intelligence was limited to manual reports from the firm’s lead management system and crunching them with Excel spreadsheets.

How does tracking the leads from various providers help? First Preferred takes a close look at front-end metrics and the ROI on lead providers on a rolling basis—from weekly,

then on a 60-day and 120-day window. The numbers can help direct new strategies, such as carving out refi leads from Florida, and free up resources for where conversions are higher, such as with certain FICO scores.

Says Aite Group senior analyst Ron Shevlin, “Channels have proliferated, and most banks are having a helluva time on how to generate and handle leads in a specific manner.” It’s generally not a module in bankers’ CRM suites, either, he says.

McDonald says LeadIQ provides the data that mortgage shop managers take to sales teams to break down lead performance. “Here are the best

ones on an ROI basis, here are the best ones on a conversion basis, here are best ones for purchase, here are the best ones for refi,” he says.

The results also spell out if “you’re paying the right price for that lead, that distribution channel, and that source,” asks McDonald. For one client, Sparkroom determined their higher-than-average close rates were watered down by excessive lead payments of nearly \$1,000 a loan.

Where a lead performance optimizer like Sparkroom delivers another advantage is in its consultancy practice, Borrowing a playbook from telecom expense management companies that deliver

bartered-down phone rates to their clients, SparkRoom takes the deal data from its negotiations with major lead providers—LendingTree, LowerMyBills, Low.com, NexTag, QuinStreet, Lowlender.com, reallygreatrate.com and Bills.com—to drive down the cost-per-lead.

It helps to have the former vp of national sales for LendingTree, Edward Powell, on board as Sparkroom’s lead sales executive to contribute to that knowledge base.

“We’ll go out to lead providers on behalf of our lender partners, and say here’s the filter set—tell us what volume you can deliver against this, and at what price,” he says. ■