CHAPTER 18

INTRODUCTION TO MARKETING AND TECHNOLOGY

Learning Objectives

After studying this chapter, a student should be able to:

- ☑ Discuss the purpose of target markets for mortgage brokers
- ☑ Explain the marketing theories pertaining to needs and motives
- ☑ Discuss product positioning and its application to the mortgage brokerage industry
- ☑ Define the marketing and promotional mix
- ☑ Define the SMART acronym and provide examples of SMART business goals
- ☑ Describe different marketing methods and types of advertisements
- ☑ Explain the benefits of using computer software and data backup
- ☑ Describe freedom of information and privacy principles and rules

INTRODUCTION

Broadly defined, marketing is the business of communicating the value of a product or service to consumers with the goal of increasing sales. People often think that marketing is synonymous with advertising, but advertising is just one type of marketing. Marketing involves a broad spectrum of actions and initiatives, from pricing to packaging to public relations. Nearly every step of delivering a product or service into the hands of the consumer involves a form of marketing.

For all businesses, resources such as time, money, and equipment are limited. A marketing strategy develops an action plan for allocating these finite resources in order to achieve the end objective, which might be to boost sales, increase profit, or generate awareness. The execution of the marketing strategy for a mortgage broker is multi-faceted, involving advertising, public relations, face-to-face communication, and presentation skills.

Many aspects of a mortgage broker's day-to-day tasks, including the marketing elements mentioned in the previous paragraph, involve technology. Wide arrays of technological tools are available to help the mortgage broker improve their business practice. Of particular importance is the use of origination (point-of-sale) software and systems in the industry, which streamline the communication between mortgage brokers and lenders. Origination software transfers application information in real time from the mortgage broker to the potential lender(s), allowing mortgage loan approvals to occur very quickly (sometimes in minutes). The use of this software also automates several tasks associated with mortgage loan applications and eliminates many of the data errors that occur in re-keying information. This chapter will discuss the key elements of technology that will help a mortgage broker execute their marketing plan and other business activities.

MARKETING CONCEPT

Although the end goal of the marketing strategy typically revolves around the product or the service in question, marketing at its core is not about the product or service – it is about the consumer. The *marketing concept* is the focus on the client's needs, using need satisfaction as the starting point for the development of a marketing program. The marketing concept recognizes that the activities of the mortgage broker are aimed at getting:

- new clients;
- repeat business from present and past clients; and
- new business from referrals.

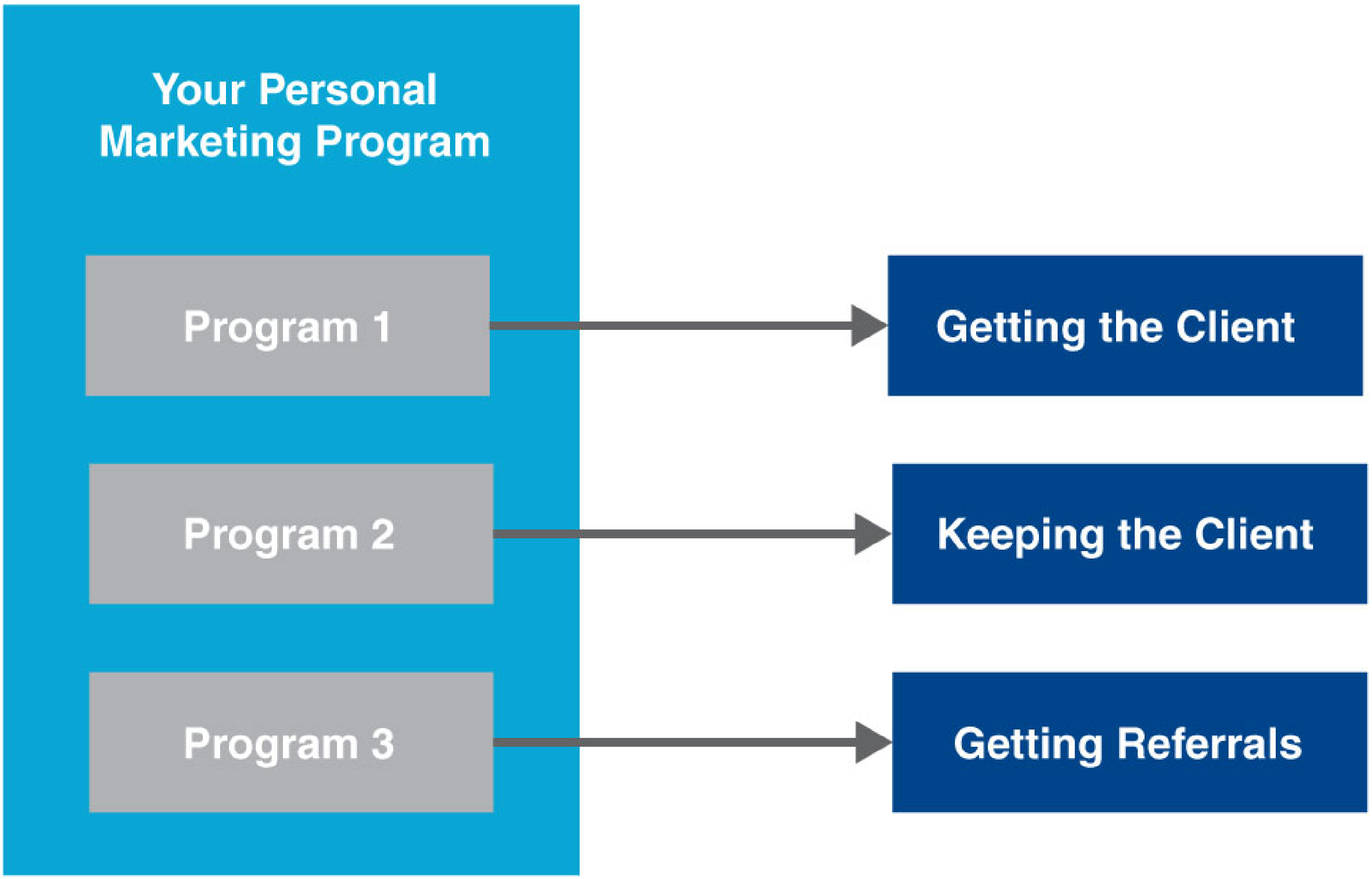
marketing concept
focusing on the client's needs and using need satisfaction as the starting point for the development of a marketing program

A simple but highly effective marketing concept is to view every decision and action as directed at getting and keeping existing clients and obtaining referrals. To apply this concept, a mortgage broker should continually question, "Is what I am doing now helping to find a new client, keep an existing client, or obtain referral business?"

Each mortgage broker should develop their own personal marketing program, consisting of three distinct but integrated programs or strategies, as shown in Figure 18.1. The long-term aim of a personal marketing program should be for roughly two-thirds of the mortgage broker's business to come from repeat business and referrals and one-third from new business.

Marketing is about understanding the consumer being served; it is about determining what that consumer's needs are and how they can be satisfied, and effectively communicating solutions to the consumer.

FIGURE 18.1: The Mortgage Broker's Personal Marketing Program



MARKETING THEORY

Marketing is a specialized field with many different theories and applications. It would be impossible to discuss them all in this chapter. However, some theories are especially relevant to the mortgage brokerage industry and are worth exploring in further detail in the context of this chapter. In particular, those involving market segmentation, target markets, and positioning should be understood and integrated into a mortgage broker's marketing programs.

Market Segmentation

In mortgage brokerage, clients are varied in their needs. They have different goals regarding financing, budgets, investment objectives, etc. They are at varying stages of life, have different preferred methods of conducting business, and work better with certain types of people. A mortgage broker has limited resources and is faced with many competitors. Given these facts, it would be nearly impossible to develop a marketing program that would fit with every single potential client.

To overcome this problem, a mortgage broker should segment the market into distinct subsets, with each subset having a common need. The mortgage broker then selects a segment of the market, called the *target market*, and develops an integrated marketing plan to service the needs of that particular market. By working with a defined target market, a mortgage broker has the opportunity to deliver a service that satisfies that target market's specific needs.

target market
a segment of the market sharing a common need

To understand why a mortgage broker would choose to focus on a target market instead of the market as a whole, consider the degree of expertise demanded of a mortgage broker. A one-size-fits-all approach does not work well because it does not allow the mortgage broker to become an expert in any one area. Over time, a mortgage broker might gain sufficient knowledge in more than one area, but the mortgage broker who can do it all is rare, particularly given the limited resources at their disposal and the degree of competition that exists in most mortgage brokerage markets.

Selection of Target Markets

The target market selected by a mortgage broker will shape their entire marketing strategy. As such, the mortgage broker should choose the target market with care and consideration. This requires understanding the different segments in the local market, analyzing each potential market, and determining which one provides the best opportunity.

The following factors, among others, will contribute to the selection of a target market in a mortgage broker's own business:

- resources (primarily time and money);

- profit and growth potential;
- existing and potential competition;
- the mortgage broker's affinity for that market;
- whether the mortgage broker can reach the market in a profitable manner; and
- whether that market will be responsive to the mortgage broker's efforts.

Understanding the Target Market

Effective marketing revolves around the client; therefore, it is imperative for the mortgage broker to understand their target market. Determining the needs of the target market allows the mortgage broker to develop a marketing program geared towards satisfying those needs; this is the entire basis of the marketing concept discussed earlier.

Marketing begins with an analysis of consumer needs in the target market. In the financing of real property, this includes the needs of the client. A successful marketer attempts to understand the motives of individual consumers. This can be difficult, as people are complex and their behaviours are often not easily understood. To further complicate matters, it is rarely a single motive that drives a consumer to make a decision; it is usually a combination of factors, some that they are expressly aware of and others that are less obvious.

There are several theories that can help provide insight into consumer needs and buying behaviour. An understanding of the following theories will help a mortgage broker develop a marketing strategy.

Needs and Motives

The starting point in the purchase decision process is the recognition of a need. A *need* is a lack of something essential or very important. This typically creates tension, causing the consumer to take action. A consumer usually has many unsatisfied needs and if sufficiently strong, these needs will become motives. *Motives* are inner states that direct the consumer towards satisfying a need.

need
a lack of something essential or very important

motive
an inner state that directs towards satisfying a need

The needs of the clients in the mortgage brokerage market are wide-ranging. However, there are three basic needs that are satisfied by the services of a mortgage broker: information, knowledge and skills, and trust and confidentiality.

- **Information:** A primary role of the mortgage broker is to supply all the information that a client needs. This involves educating the client about the market, the financing processes, the associated paperwork, and the parties involved in a mortgage transaction.
- **Knowledge and skills:** Clients often lack the knowledge or skills required to decide on appropriate financing. These needs can be satisfied by a competent mortgage broker who has the education and experience needed to guide a client through a mortgage transaction.
- **Trust and confidentiality:** To be successful, it is necessary to quickly build a trusting relationship. A high degree of professionalism can assist in building this trust. Information given by the client to the mortgage broker must be held in confidence. Trust requires a mortgage broker to listen to their client's needs and concerns, and to follow through on promised actions.

To operate successfully in a mortgage market, the mortgage broker must be able to satisfy the information needs of the client by providing the knowledge that the client requires or by directing the client to those who can provide the knowledge, such as a lawyer or an accountant. By being informed and knowledgeable, and by respecting the client's requirements of trust and confidentiality, the mortgage broker can truly satisfy the needs of the client.

Buyer Behaviour Models

Two models have been developed from marketing research and psychology that can help a mortgage broker understand a buyer's behaviour in the mortgage context. Note that these models are not mutually exclusive.

Model 1 – Shopping Behaviour Model

The Shopping Behaviour Model classifies products and services based on the amount of effort that a consumer is willing to go through to obtain that product or service. This classification system is established on how a majority of consumers view the particular product or service. Each category requires a different marketing approach.

- **Convenience goods** are products and services that the consumer purchases frequently and uses immediately, such as groceries or the newspaper.
- **Shopping goods** are products and services that the consumer purchases only after they have made comparisons of competing goods based on price, quality, style, colour, and service quality. These items are typically more expensive than convenience goods and are purchased less frequently. Shopping goods include mortgage brokerage services, homes, cars, and appliances.
- **Specialty goods** are products and services that possess some characteristic causing the consumer to want that particular product or service and no other substitute. The purchaser has enough information about the product or service prior to the purchase and does not do any additional shopping. These items are typically high priced, complex, and/or unusual. They can be a physical product (such as a Ferrari) or the services of a highly skilled professional.

  Unsought goods *ar*e products or services that potential consumers do not necessarily want or know about, or that are purchased based on fear or as a form of precaution (such as life insurance or a fire extinguisher). Consequently, little search activity is undertaken in the case of unsought goods. Potential consumers are unlikely to buy the product or service unless they see or hear about it through initiatives such as personal marketing or promotional items.

FIGURE 18.2: Effort Required for Different Types of Products in a Shopping Behaviour Model

Model 2 – Process Model of Buying Behaviour

The Process Model of Buying Behaviour helps to explain how consumers go about the purchase of shopping goods (e.g., mortgage brokerage services) and looks at the buying process from the consumer's perspective. In examining buying behaviour, the purchase is viewed as a process of sequential activities with the consumer's needs, anxieties, fears, doubts, and feelings changing as they move through the buying process. The model suggests that the consumer moves through four distinct phases when purchasing shopping goods.

1. A *felt need* is the initial need or trigger that starts the buying process. For example, in real estate, many events can trigger the felt need to buy a property:
    - change in the family life cycle such as starting a family, children leaving home, retirement, death in the family, or divorce;
    - job promotion;
    - expiry of a lease;
    - change in interest rates;
    - change in property values; or
    - company re-organization, diversification, expansion, or retrenchment.

felt need
the initial need or trigger that starts the buying process in the process model of buying behaviour

The felt need is generally caused by events over which mortgage brokers have little control. However, being aware of the felt need allows mortgage brokers to target their efforts to potential clients who may soon be in the market to purchase a property or renew a mortgage.

2. The *pre-purchase activity* stage is the period during which the consumer is gathering information and becoming knowledgeable about the product or service. This stage is driven by the importance of the decision and the consumer's current lack of knowledge.

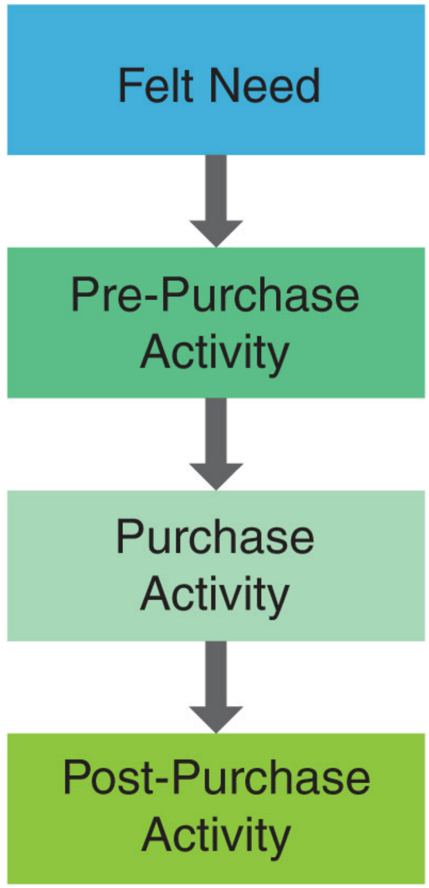
pre-purchase activity
the stage in the process model of buying behaviour during which the consumer is gathering information and becoming knowledgeable about the product being sought

The pre-purchase activity is especially important in real estate services, like mortgages, because the consumer is purchasing a service that is intangible and difficult to evaluate or compare. A mortgage broker therefore needs to clearly demonstrate the value that they offer to consumers. Pre-purchase activity in mortgage brokerage might include:

- reading real estate and mortgage lending publications;
- talking with friends;
- browsing mortgage broker and lender websites; and
- interviewing mortgage brokers and lenders.

During this process, the potential purchaser becomes familiar with the services that mortgage brokerages provide and is continually making judgments regarding the capabilities of a mortgage broker or brokerage. The pre-purchase activity may be relatively short (if the client has previously used mortgage brokerage services) or it could be very lengthy.

FIGURE 18.3: Four Distinct Phases for Buyer Behaviour



3. The *purchase activity* stage is the stage during which the consumer makes their purchasing decision. Typically, consumers make the decision of which mortgage broker to engage soon after completing their pre-purchase activity, highlighting the importance of maintaining appropriate contact with a potential client throughout the decision process.

purchase activity
the stage in the process model of buying behaviour during which the consumer makes the purchasing decision

4. The *post-purchase activity* stage can cause some consumers to experience feelings of anxiety, regret, and doubt regarding their decision. The psychological term for these strong feelings is *cognitive dissonance*, which means the awareness of a disharmony caused by conflicting thoughts. This is sometimes referred to as “buyer’s blues” or “buyer’s remorse”.

post-purchase activity
the stage in the process model of buying behaviour after the product has been purchased, during which the purchaser may experience cognitive dissonance

cognitive dissonance
the awareness of a disharmony caused by conflicting thoughts

Cognitive dissonance may include thoughts on the part of the client such as:

- "Should I have gone with a variable rate instead of a fixed rate?"
- "Should I have used that other mortgage broker or lender?"
- "Should I have waited to see if rates might go down?"

There are many other stages of the mortgage transaction during which cognitive dissonance may occur. At any point in time, a client may experience a variety of strong feelings including guilt, anger, excitement, frustration, or elation. It is important to understand and recognize these feelings; listening skills, empathy, and the ability to handle anger are all useful skills for a mortgage broker.

Product Positioning

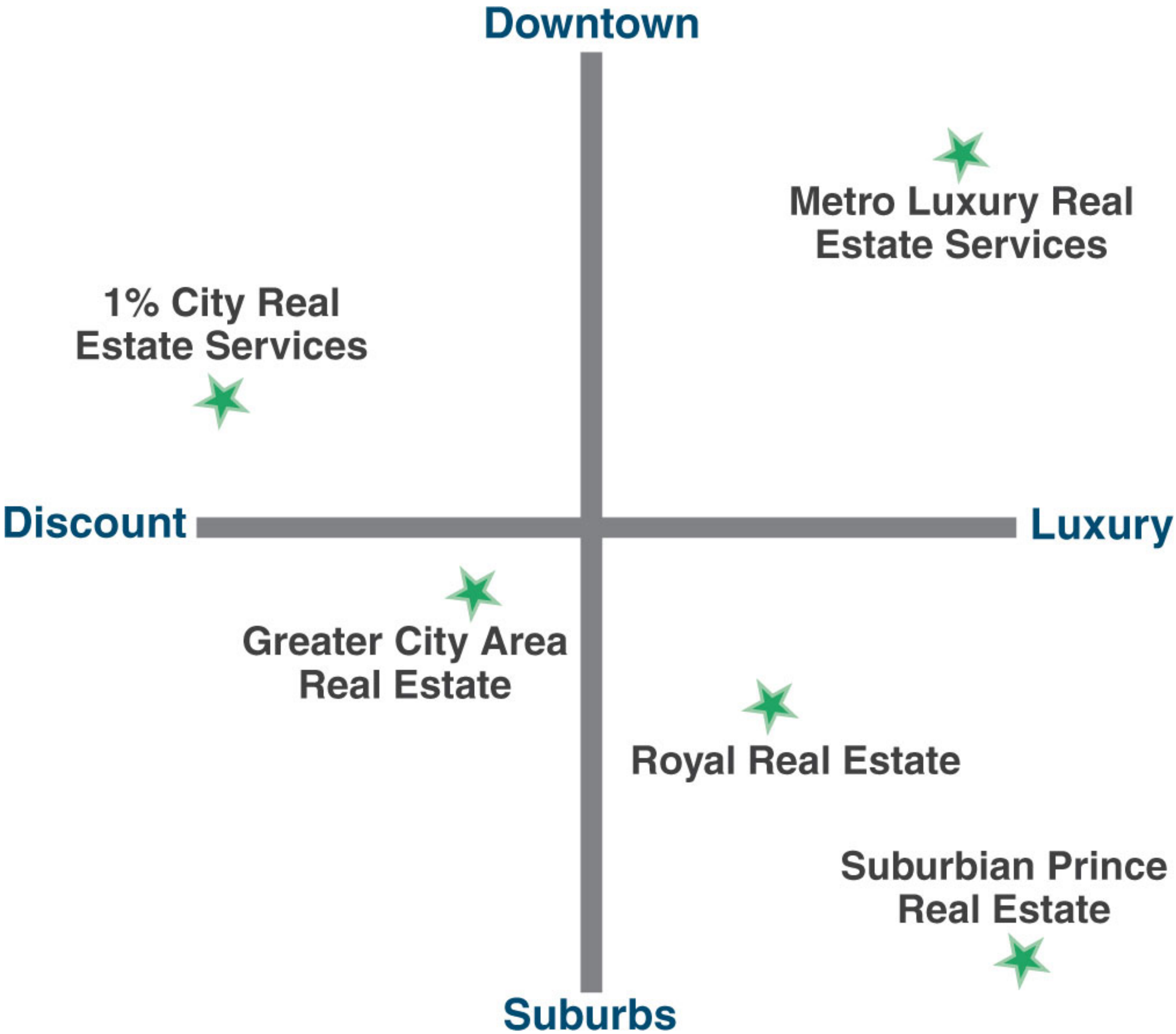
Product positioning refers to the position a product or service holds within its consumers' minds. Positioning involves interpreting how the targeted consumer feels towards a product or service, and undertaking measures to shift this perspective to be as positive as possible.

product positioning
the position a product or service holds within its consumers' minds

Positioning Maps

Positioning maps (sometimes called perceptual maps) are a useful way to represent consumer perceptions of alternative products in a visual format. They are typically confined to two attributes, but three-dimensional models are also possible. Dimensions used can vary considerably and can include both factual and subjective variables. Figure 18.4 illustrates a positioning map for a real estate brokerage. Note that there can be a fair amount of discretion and subjectivity needed to draw the map.

FIGURE 18.4: Example of a Positioning Map within the Real Estate Services Industry



In this positioning map, the “discount/suburbs” quadrant appears to be relatively empty, especially near the extremes of either axis. It would thus appear that there is an opportunity in the marketplace for a discount real estate services brokerage specializing in the suburban market.

On the other hand, it might mean that there is no market for a discount suburban real estate services enterprise – perhaps the suburb in question is a high-end area that values service over price. Further, if there was such a market, “1% City Real Estate Services” might open an office in the suburb or hire a professional to specialize in the suburban market, thus filling the void in that quadrant. The idea behind the positioning map is to extract potential clues about the market, which can then be followed up upon. Predictions can also be made of how the positions may change in the future, and appropriate strategies can formulated accordingly.

Product Differentiation and Positioning

A *differentiated product or service* is one that is seen as being different from a customer's viewpoint. In deciding whether or not to differentiate a product or service, there are three things to consider:

- What attributes or characteristics are important to the client?
- How is the competition positioning their products or services relative to these attributes?
- Where should mortgage brokers position their services relative to the competition?

differentiated product or service
a product or service that is seen as being different from the viewpoint of the consumer

Product Differentiation by Product Attribute

Products and services are often differentiated on the basis of attributes such as size, colour, taste, name, texture, price, specific amenities, and knowledge.

In differentiating products, it is important to discover which attributes are important to clients. Identifying which attributes are important is not an easy task because the consumer often cannot verbalize or even clearly understand why they favour one product over the other. Finding attributes that are important to the consumer not only helps a mortgage broker cater to the needs of the market, but also helps in the development of advertising appeals. In order to find what is important, probing and listening skills are essential.

Product (Service) Differentiation Strategies

Mortgage brokers sometimes attempt to diversify in order to reduce the risk of deterioration in one market, but it is very difficult for an individual to be effective in a variety of areas. As previously discussed, each market requires a specific technical knowledge that takes time to acquire and an inventory of clients that takes an even greater amount of time to develop.

To continually match the product or service to the consumer's needs, three basic types of product and market matching strategies can be used: undifferentiated marketing, differentiated marketing, and niche marketing.

- **Undifferentiated Marketing:** Businesses practising *undifferentiated marketing* produce one product or service and market it to all potential consumers with a single marketing program. This would be the case where a mortgage broker attempts to cater to the entire market. The mortgage broker then becomes vulnerable to competition, as other mortgage brokers select smaller markets and become particularly good at servicing the needs of the smaller segments. A mortgage broker who attempts to satisfy everyone continually faces threats from other mortgage brokers who decide to cater to the specific needs of a small segment of the total market.
- **Differentiated Marketing:** Businesses practising *differentiated marketing* have numerous similar products that are catered to different market segments using different marketing programs. A business employing differentiated marketing attempts to satisfy the needs of a large part of a total market, but instead of marketing one product with a single marketing program, the company designs several separate products with specific appeals to satisfy individual parts of the total market. Mortgage brokerages can practise differentiated marketing by having several branch offices, each servicing a different market area, and by employing different types of mortgage brokers.>

undifferentiated marketing
one single product or service is marketed to all potential consumers with a single marketing program

- **Niche Marketing:** Using the concept of *niche marketing*, the mortgage broker selects a relatively small target market and focuses their entire effort on satisfying the needs of this target market. This method is appropriate for individual mortgage brokers, who are usually constrained by limited resources. The objective is to focus on a small but active and growing market segment (the target market) and to excel at servicing that market such that a significant "barrier to entry" is established. Mortgage brokers have become very successful by concentrating on a market segment and expertly understanding and servicing the needs of this chosen target market. Servicing too many markets may seriously weaken the marketing effort and can result in less than satisfactory performance.

differentiated marketing
numerous similar products are marketed to different market segments using different marketing programs

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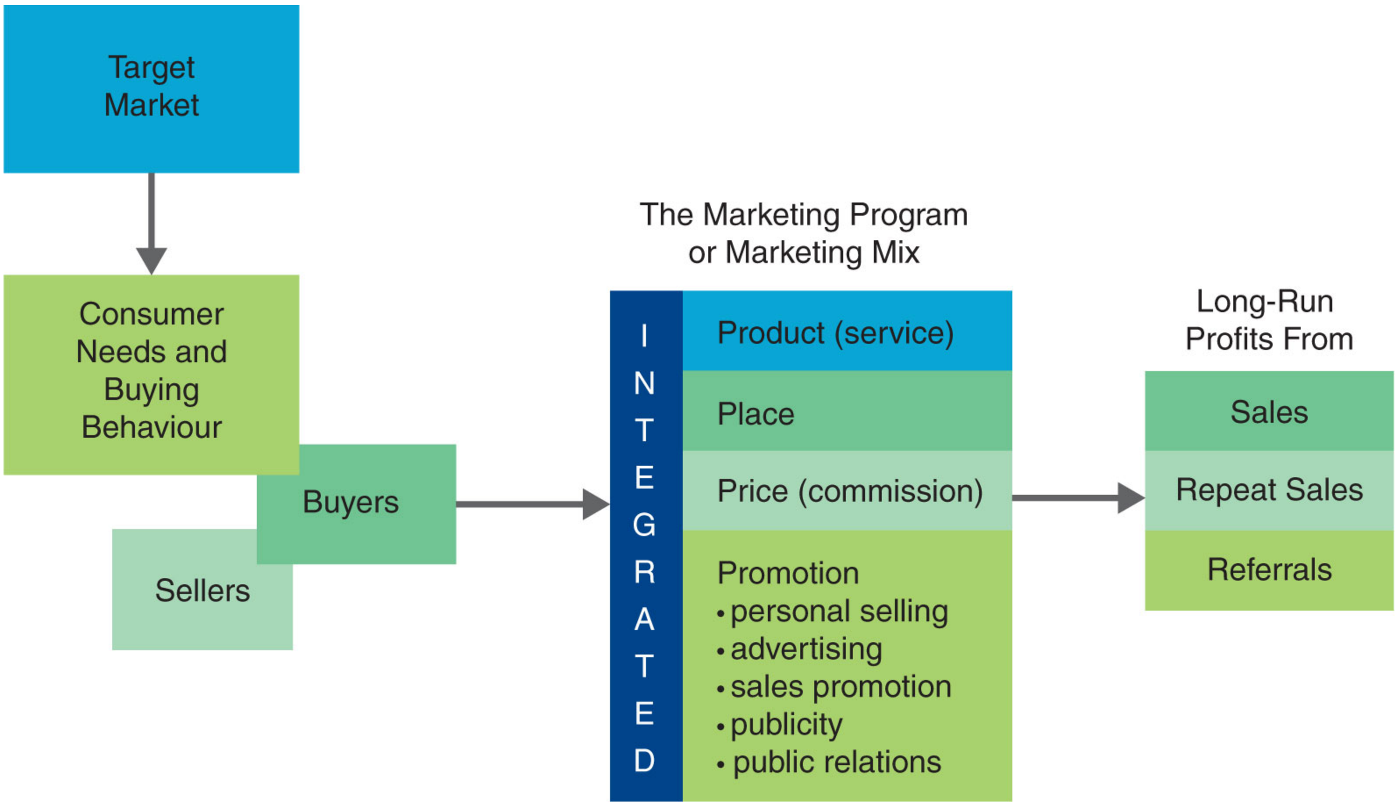
niche marketing
marketing effort is focused on a relatively small, but active and growing, target market

INTEGRATED MARKETING

Mortgage brokers, especially those getting started in the business, need to develop a multi-faceted personal marketing program that will connect them to their chosen target market. Developing a personal marketing program involves evaluating options and making decisions about how the mortgage broker chooses to run their business, including how they allocate time, money, and other resources. The development of an integrated marketing program consists of identifying a profitable target market, identifying the needs of the target market, and developing the marketing mix or program that aims to satisfy the needs of the chosen target market. The *marketing mix*, which is also called the four Ps of marketing, consists of product, place, price, and promotion. Figure 18.5 demonstrates how the marketing concept fits into the integrated marketing process.

marketing mix
the product, place, price, and promotion; also called the four Ps of marketing

FIGURE 18.5: The Marketing Concept and Integrated Marketing



Marketing Mix

Product (Service)

Mortgage brokerage services are primarily an intangible product, meaning that unlike a physical product, they cannot be seen, touched, or experienced ahead of time. The product or service being provided is an ongoing performance; it cannot easily be test-driven like a car or sampled like a food product. This has major implications for the marketing of mortgage brokerage services. The process that consumers use to select a service provider can be vastly different from how they select and buy tangible products.

The intangible product that a mortgage broker provides is the experience of helping a client finance a property, which is based on the mortgage broker's experience, knowledge, negotiation skills, communication skills, and personality characteristics.

Place

Place refers to the channels used to present a product or service in front of the target market. Place is about providing the consumer with a convenient location to access the product or service. A mortgage broker's physical "place" is often based out of the brokerage's office. The mortgage brokerage determines its place based on various factors, including:

- access to consumers;
- access to employees (labour pool);
- access to suppliers;
- climate and geography;
- cost of facilities (rent); and
- visibility to the target market.

However, a mortgage broker's place is not limited to office facilities. The mortgage broker's place can be on the internet, by providing consumers with a convenient place to access information (a website) or to communicate with the mortgage broker (via email or social media). These virtual places will be discussed in more detail later this chapter. A mortgage broker's place can also be mobile, moving around to access consumers instead of having consumers come directly to them.

Price

The pricing decision refers to the fees charged for the services provided. The financing aspect of a real estate transaction could also be considered to be part of the pricing decision.

When the client pays a fee to the mortgage broker in the financing transaction either directly or indirectly, the price reflects the value that is offered to clients; it is the mortgage broker's job to communicate that value to the clients. A mortgage broker should create a comprehensive list of the services offered to clients throughout each step of the transaction, allowing clients to understand the areas in which the mortgage broker adds value.

Promotion

Mortgage brokers can communicate with their target market by selecting the appropriate mix of promotion (or communication activities). The five basic promotional activities that combine to form the promotional or communications mix are:

- personal selling (e.g., presentations, prospecting);
- advertising (e.g., signs, newspaper, internet, or magazine advertisements);
- sales promotion activities (e.g., gifts like calendars, memo pads, doorstep flyers, pens);
- public relations (e.g., coaching a local junior hockey team, joining a service club, sponsoring an event); and
- publicity (e.g., articles in a local newspaper; can be favourable or unfavourable).

Note that this last element is somewhat less controllable than the others.

Promotional Mix

The *promotional mix* (also called the communications mix), like the marketing mix, involves the proper blending of components to satisfy the needs of the market that the mortgage broker has targeted and to accomplish the desired promotional objectives. In the mortgage brokerage industry, the promotional mix – particularly personal selling, advertising, and publicity – plays a major part in the marketing effort both for the brokerage and for sales personnel. Therefore, it is very important to develop a clearly focused, long-term, integrated promotional program.

promotional mix
proper blending of components to satisfy the needs of the target market and to accomplish the desired promotional objectives

Personal Selling

Personal selling is face-to-face communication with a potential customer. Personal selling creates an interactive environment, allowing a mortgage broker to react to quickly changing situations. Certain people are more attentive to messages that are delivered face-to-face, since in-person interactions are more intimate than telephone or electronic interactions.

Mortgage brokers can use personal selling in a variety of ways. For example, mortgage brokers might meet new clients by going door-to-door in their target markets. Some people find door-to-door sales to be intrusive, but recall that the goal is to communicate the value offered to these potential clients. If a mortgage broker chooses to engage in personal selling, they should always be respectful of people's time and preferences.

Personal selling is by no means limited to door-to-door selling; it can occur during any face-to-face interaction. Even small talk at a cocktail party can provide the opportunity for personal selling.

The major advantage of personal selling is flexibility because a mortgage broker can react to quickly changing situations. Personal selling is often appropriate for complex or expensive products such as mortgage brokerage services.

Advertising

Advertising is defined as any paid form of non-personal sales presentation that provides information, enhances the image of the firm, or sells products or services to potential customers. Advertising reaches a larger audience than personal selling and is sometimes referred to as mass communications. The means through which advertising may be conducted are endless and include television, radio, billboards, direct mail, newspapers, magazines, trade magazines, and signs. The internet is also a widely used medium for advertising. Advertising will be discussed in detail later in this chapter.

Public Relations

Public relations refers to a business's communications (other than personal selling and advertising) with employees, stockholders, clients, and the general public. The objective of public relations is to enhance the image, recognition, and reputation of the firm. The public relations program has broader objectives than other components of the communications mix. It indirectly helps sales by making the public favourably disposed toward the firm and it can be useful in attracting desirable employees.

A public relations program can indirectly help sales by making the public perceive the business in a positive manner, just as poor public relations can deter future sales and create a negative view. Here are a few ways of maintaining strong public relations within the community:

- Be the go-to expert in mortgages. Inform local publications of major trends or events affecting the mortgage market and offer to provide professional interpretation or insight. This is a form of publicity, which focuses primarily on receiving media coverage and exposure for free – note that this is different from paid advertisements.
- Support the community. Consider sponsoring a local group that fits with your personal brand. For instance, a mortgage broker might sponsor a children's sports team or a local art walk.
- Get involved in a positive way. Attend city council meetings and participate on boards and committees to show that you care about your community.
- Above all, avoid negative public relations by operating an ethical business, practicing honesty and integrity, and following through on your commitments. It is much more difficult to build up a positive reputation after a negative event.

Sales Promotion

Sales promotion is any form of non-personal selling that does not fall under the heading of advertising, public relations, or publicity. Sales promotion includes gifts such as pens, calendars, note pads, and mortgage tables. Strategies to motivate the salesforce (i.e., sales contests) are also considered sales promotions. Sales promotion techniques are generally designed to reinforce personal selling and advertising efforts, and are typically more short term. Given the latter, the effects of sales promotion techniques tend to be easier to measure than those of longer-term commitments such as advertising.

Publicity

Publicity refers to communications to the public about the firm or its products by people not employed by the firm. For example, an innovative developer may have a favourable article about their developments appear in a local newspaper. On the other hand, an article written about the poor quality of the construction, together with interviews with dissatisfied owners, would create poor publicity. The greatest asset of publicity is the public reaction to it. Because the information is not from or paid for by the firm, readers may perceive it as unbiased, more objective, and more believable.

SMART Business and Marketing Goals

The selection and analysis of the target market, combined with the establishment of the marketing mix, will help a mortgage broker develop the foundation of their marketing plan. These elements are the core of the mortgage broker's business; any marketing initiatives that they choose to undertake will complement the decisions that have been made regarding the target market and the four Ps.

The next step involves the transformation of the foundation of the mortgage broker's marketing plan into action items. In order to accomplish this, the mortgage broker needs to set out business goals that can be measured, tracked, and accomplished. The mnemonic acronym *SMART* is useful for developing effective goals. It represents five criteria: specific, measurable, achievable, relevant, and timely.

SMART
an acronym used to develop goals that are specific, measurable, achievable, relevant, and timely

- **S**pecific: Refine broad ideas and visions into specific goals that are clear and unambiguous. Consider the who/what/where/why/when of a goal. If a mortgage broker cannot elaborate on each of these elements, then the goal is not specific enough.
- **M**easurable: The desired outcome of a goal should be measurable, allowing its progress to be tracked. Use concrete measurable factors,

such as specific dates, quantities, or indicators, that will help determine whether or not a goal is being accomplished.

- **A**chievable: Establish goals that are realistic, attainable, and agreed upon by all stakeholders involved. Goals should be challenging but not impossible. Achievable goals can be accomplished using tools that a mortgage broker has or that can be acquired over the timeline of the goal. When a mortgage broker sets a goal, they should consider the steps required to achieve it. If these steps cannot be clearly determined, the goal should be reworked to ensure that it is attainable.
- **R**elevant: Goals are intended to drive a mortgage broker's business forward. A mortgage broker must ensure that their goals are within the availability of resources, knowledge, and time and that they are in alignment with one another.
- **T**imely: A mortgage broker should avoid vagueness by attaching dates and timelines to goals. Realistic deadlines provide motivation and help with measurability. Timelines allow a mortgage broker to manage their time efficiently and to determine what day-to-day tasks and activities will help attain the goal.

Many different marketing methods can be used to help a mortgage broker achieve these goals; these will be discussed in detail in a later section. Creating a vision and establishing goals will help a mortgage broker determine which marketing methods should be prioritized in their personal marketing plan.

Marketing Budgets

In an ideal world, a mortgage broker would launch a comprehensive marketing strategy that covered all potential marketing avenues, increasing their chances for success. In reality, mortgage brokers must work with limited resources. Time, money, equipment, and existing skill sets are just some of the factors that will limit a marketing plan.

Mortgage brokers who are just beginning in the industry will find money to be a particularly restricting resource. However, the mortgage broker will have a difficult time generating business without first employing some kind of marketing initiative, which typically requires an upfront financial investment.

The following list describes some common methods used by mortgage brokers to establish a marketing budget:

- **Percentage-of-Sale Method:** As the name suggests, this method allocates the marketing budget as a percentage-of-sales (either current or anticipated). Advantages to this method include:
    - advertising expenditures vary with affordability;
    - the mortgage broker is encouraged to think about the relationships among marketing costs, commissions charged, and profit;
    - the method encourages competitive stability, if all mortgage brokers use a similar percentage; and
    - it is simple and easy to implement.

Despite these claimed advantages, the percentage-of-sales method may not be the most desirable. Advertising is supposed to cause sales, not vice versa. Using this method, the conceptual orientation is reversed and if sales decline, advertising expenditures would be reduced.

- **Follow-the-Competition Method:** Using this method, mortgage brokers set their budgets to match competitors' outlays. Advantages to this method include:
    - theoretically, competitors' expenditures represent the collective wisdom of the industry; and
    - maintaining competitive parity prevents advertising wars.

Neither of these arguments is very strong: there are no grounds for assuming that a competitor's method is sound. Advertising resources, opportunities, and strategies differ so much between mortgage brokers and brokerages that one mortgage broker's budget should not be the guide for another. There is no evidence that this method stabilizes advertising expenditures for the industry. Knowing what the competition is spending on advertising is undoubtedly useful information; however, it is one thing to know it and another to follow it blindly.

- **Objective/Task Method:** This method requires that the mortgage broker first determine the objectives of the advertisement, then identify the desired tasks and activities necessary to reach the objective. This involves defining a SMART marketing objective, outlining the tasks required to attain the objective, and estimating the cost of performing these tasks.

The major flaw with this method is that it fails to question whether an objective is worth pursuing, given its cost. The real need is to evaluate objectives in light of their costs and to choose among the more productive objectives. With this modification, the objective/task method provides a logical method for establishing how much money should be spent on promotion.

There is no magic number that indicates the perfect marketing budget; there are simply too many individual factors that come into play. To determine the right budget, a mortgage broker should create a list of potential marketing opportunities that might help them to accomplish the goals needed to build the business. The mortgage broker should then research the estimated costs for each of these marketing initiatives. Once the costs have been determined, the mortgage broker must prioritize which initiatives will create the most impact for the business. The final ranking of marketing initiatives will be based on a combination of the cost and the impact, and will provide an idea of the amount of capital required in order to get the business up and running.

ADVERTISING

Advertising was defined earlier as any paid form of non-personal sales presentation that provides information, enhances the image of the firm, or sells products or services to potential customers. Advertising is used to communicate informational, persuasive, or reminder-oriented messages:

- **Informational messages** are designed to provide information and create awareness.
- **Persuasive messages** are aimed at generating a response from the recipient, such as making a phone call or sending an email.
- **Reminder-oriented messages** focus on keeping the product, service, and the mortgage broker at top-of-mind. Many well-known companies or mortgage brokers that have achieved a favourable image employ

reminder-oriented promotions to continually assert their position in the segment.

Advertising that reaches a large audience is sometimes referred to as mass communications. Advertising encompasses many different marketing methods including television, radio, billboards, direct mail, newspapers, magazines, trade magazines, and signs. The internet is also a widely used medium for advertising; digital marketing strategies will be discussed in detail further in this chapter.

Advertising is a considerable concern to most mortgage brokers, as advertising costs can consume a sizable portion of the operating budget. Therefore, it is important to continually reassess details regarding the objectives of advertising, how much should be spent, and what form will best help achieve the marketing goals.

Objectives of Advertising

Advertising requires a significant investment of money and time, but it is an important component of any marketing plan. Advertisements can help create awareness, provide information, change an attitude, differentiate a product or service, or stimulate demand – or any combination of these elements. More specifically, advertising can help a mortgage broker's business and listings in the following ways:

- increasing awareness and recognition of services offered;
- developing a favourable image;
- educating the public, correcting misinformation, or changing attitudes;
- increasing the market share;
- offsetting the advertising of competitors;
- differentiating a service from that of competitors;
- generating phone calls, emails, and leads; and
- making other service providers aware of a mortgage broker's offerings.

A mortgage broker should employ the SMART mnemonic to develop effective advertising objectives. For instance, "generate new leads" would not be considered to be a SMART objective. This objective could be restructured (or become SMART) as "generate 15 new leads from phone calls in response to a direct mailer to 100 households over the next 6 months."

Types of Advertisements

The broad categories of print and digital advertisement encompass various types of advertisements. The following sections provide an overview of commonly used advertising initiatives.

Brochures

Brochures provide more space than many other forms of advertisement, allowing the advertiser to provide a more descriptive copy. Rich, high-quality photographs are essential to an effective brochure. While printed copies of brochures are practical for face-to-face interactions or for mailing, digital copies can be useful for email inquiries.

Direct Mail and Postcard Mailers

Postcards are smaller versions of brochures and can be used in targeted mailing campaigns. Digital versions can also be used in targeted email campaigns. A postcard mailer typically includes an attention-grabbing headline, concise copy, and one or two photos. The purpose of the postcard is to spark an interest that will encourage the recipient to follow up and learn more; as such, providing a website, email address, and/or phone number is essential.

Direct mailers can include other forms of advertisement, such as an introductory memo or a newsletter discussing the local mortgage market. Mailers can heighten public awareness of a mortgage broker's services and can result in inquiries and contacts.

There are both advantages and disadvantages to direct mailers and postcards. Properly targeted mail-outs can help communicate the message to the right audience, but improperly targeted campaigns can be costly, wasteful, and ineffective. A target audience can be determined based on physical location, stage of life (e.g., new families or retirees), or events that trigger a need for real estate services (such as the expansion of a local employer or the end of a lease). These examples are just a few of the criteria that can be used to select a target audience for a direct mail campaign. The key is to sharply focus the effort to ensure that the chances of success are maximized: a random, non-methodical approach tends to be a waste of both time and money.

FIGURE 18.6: Advantages and Disadvantages of Direct Mail

Advantages	Disadvantages
Allows you to zero in on your target audience	Costs of buying, assembling, or updating the mailing lists
Message can be general or personalized for a specific group or individual	Costs of developing, printing, and mailing the material
Provides a good introduction for follow-up by a phone call or personal visit	Can be very wasteful unless directed specifically at your target market
Success of different approaches can be tested by changing the approach and measuring the response	Often treated as junk mail, especially in today's world of "information overload"
Can be used to provide information, to sell, or to do a combination of both	Faces much competition from other firms who also use the Ddirect Mmail approach
Requires little lead time and can be tailored to suit most budgets	Writing an effective direct mail letter requires a great deal of skill

Classified Advertisements

Classified advertisements are small printed advertisements that are grouped together by theme in a newspaper or magazine. Space is very limited and copy should say as much about the service in as few words as possible. Since a classified advertisement must compete with the other postings in the section, certain elements, such as a bolded font or solid borders, can be used to make the advertisement stand out.

Newspaper and Magazine Advertisements

Unlike classified advertisements, newspaper and magazine advertisements appear alongside the publication's regular content. Size can vary significantly and will determine the amount of information that can be included. The choice of publication is arguably the most important element of a newspaper or magazine advertisement, therefore a mortgage broker should pick a publication that corresponds to the targeted audience. Prices vary significantly depending on the publication; it is a good idea to request an advertising rate card to learn about a publication's prices, ad size options, demographics, and reach.

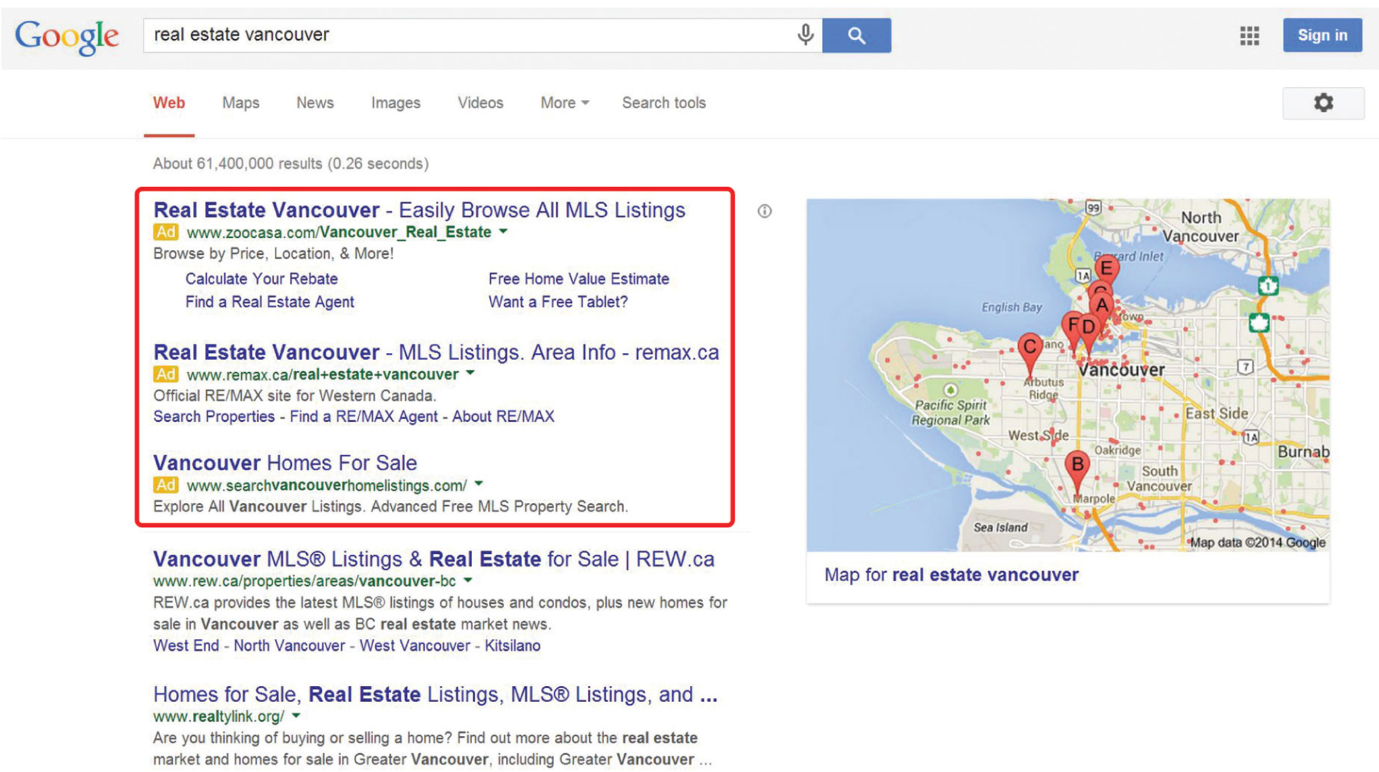
Online Advertisements

This broad category encompasses advertisements placed on websites and search engines, Facebook and other forms of social media, posts to online classified websites such as Craigslist, and using sponsored (paid) users to promote services. Many of the guidelines for print advertising can be applied to online advertising: choose publications (the websites you advertise on) wisely and use sharp headlines, copy, and images that invite a viewer to click on the advertisement to learn more.

Google Ads

One of the most popular forms of online advertisement is Google Ads, Google's online advertising program. It does not refer to the placement of a website in an organic search (i.e., the order in which the website comes up when a person types in certain keywords); instead, it sets the advertisements that appear at the top and side of a page when certain search keywords are entered, as outlined in red in Figure 18.7. Google Ads currently offers two main ad placement options: Google search results and the Google Display Network. The Google Display Network allows advertising on high traffic company sites, such Amazon and the New York Times, but most advertisers choose to display ads only within Google search because that method gives the advertiser the most control over where their ads are displayed.[1] Google Ads is fully customizable, allowing advertisers to set their own budget, determine their own keywords, and track multiple advertisements to determine which generates the most clicks. Those choosing to advertise on Google Ads are advised to research the online tool to fully understand its vast capabilities and intricacies.

FIGURE 18.7: Example Google Ads Advertisements

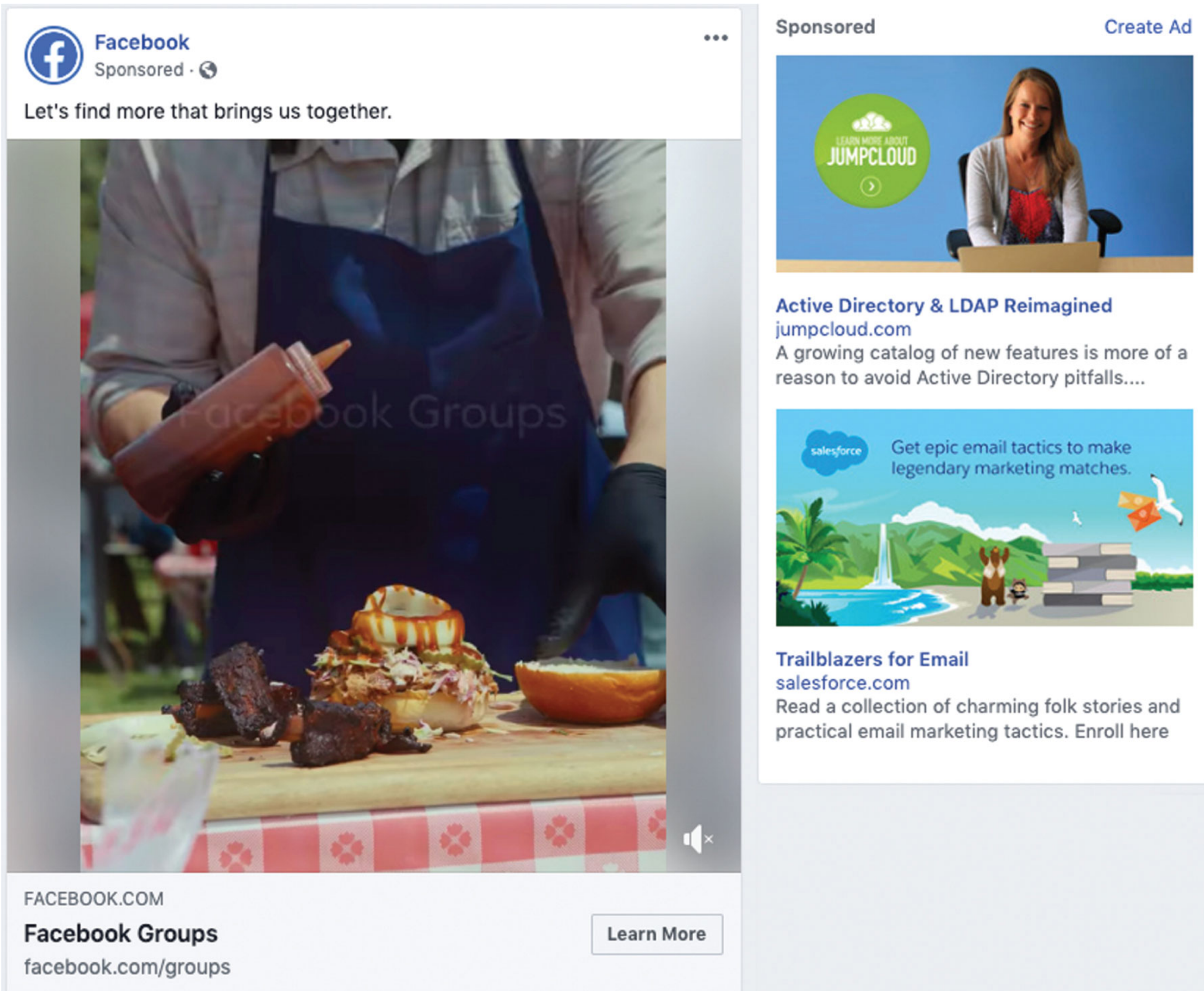


As an advertising platform, Google Ads is exemplary in providing highly detailed ad metrics such as impressions over a specific period of time, average cost-per-click (CPC), and more.[2] Though it is best known for text-based ads that display on Google search results, Google Ads has introduced new ad formats in recent years, such as video ads and Product Listing Ads. Ads can also be enriched to display a business's location, reviews, and phone number. Because Google attracts traffic from users who are actively researching with the intent of making a purchase, Google Ads is used primarily to target individuals who are already actively looking for your service and convert those into sales.

Facebook Ads

Another very popular platform for online advertising is Facebook Ads. One of the appeals of Facebook Ads is a highly user-friendly advertising interface. Facebook Ads gives access to numerous platforms including Facebook (Feed, Right Column, Stories, Marketplace, and In-Stream Video), Instagram (Feed and Stories), Messenger, and Audience Network, and a wide range of advertisement formats can be selected. Compared to Google, Facebook's ads are highly visual and usually consist of an image or video accompanied by limited text. An example is shown in Figure 18.8.

FIGURE 18.8: Example of Facebook Ads Advertisements



Source: Albright, D. 2020, May 26. "Facebook Ads vs. Google Ads: Which Is Best for Your Business?" Retrieved from *databox.com/facebook-ads-or-google-ads*

Advertisers can select simple photo ads, messenger ads that facilitate conversations with potential customers, slideshow ads, video ads, and even interactive ads. While Google Ads is an excellent tool for converting interest into sales, Facebook Ads are great for building brand awareness and creating the initial interest in a service or business. Because of the extensive data collection by Facebook on its users about their life events, interests, and behaviors, Facebook creates detailed demographic profile of users, and companies who understand their target market can take advantage of those profiles to create interest among those most likely to be interested. Essentially, where Google Ads are best for who are already seeking to satisfy a need, Facebook Ads best target those with an unknown need for a given product or service.

Radio and Television Advertisements

Television and radio advertisements can be prohibitively expensive in some markets and attainable in others. These forms of advertisement are typically used to promote a personal business. Short audio or visual snippets can help keep the advertiser's name at the top of the listener or viewer's mind. In addition to regular advertisements, a business can sponsor a particular segment of a radio show (e.g., a business, finance, and/or real estate news update).

Billboards, Bus Ads, and Bench Ads

Billboards, bus, and bench advertisements are sometimes used by mortgage brokers to promote their personal businesses. The purpose of these outdoor advertisements is to remind a local audience of a mortgage broker's presence in the market. Other examples of this type of advertisement include personalized vinyl wraps around a vehicle and ads at local stadiums and arenas.

OTHER TYPES OF MARKETING

Online Marketing

Online marketing is distinct from online advertising. While advertisements are paid promotions, online marketing refers to a more general online presence in the form of a website, social media profiles, and search engine optimization. These topics will be discussed further in this chapter.

Telemarketing

The term *telemarketing* refers to any method of lead generation or sales of goods or services that uses telephone or fax technology. It can be done live or through automated systems. In the sales industry, this method is referred to as cold calling.

telemarketing
any method of lead generation or sales of goods or services that uses telephone or fax technology

Federal legislation creates a National Do Not Call List (DNCL), which establishes certain responsibilities for telemarketers in Canada. The DNCL filters out consumers who do not want to receive unsolicited calls, including both telephone and fax. There are some exemptions to the requirements (e.g., the legislation does not apply to certain charities or to political parties). Calls made to consumers with whom a caller has an existing business relationship, who have provided express consent, or to business telephone numbers are also exempt. However, in all non-exempt cases, telemarketers are not permitted to make unsolicited calls in order to sell or promote a product or service if the telephone number is registered on the DNCL. Note that unlicensed assistants may not telemarket. For further information, see the Do Not Call List website at: *www.lnnte-dncl.gc.ca*.

Cold calling can be an effective form of marketing, but many mortgage brokers find it to be a particularly daunting task. The following tips will help make it a more approachable and effective marketing method:

- Warm calling refers to telemarketing with an individual who you have had previous contact with. The call is then perceived as a follow-up, not an out-of-the-blue contact from a stranger. Many people find that warm calling is more approachable than cold calling.
- Have a clear message and focus on informing and educating, not purely selling.
- Be prepared. Know your facts, have a thorough understanding of the market, and be ready to answer questions.
- Do not forget to listen – an often-overlooked element of communication.
- Be respectful. Phone during appropriate hours and respect a person's wish to end a conversation and be removed from your calling list.

- Follow up on phone calls; otherwise, the effort may be wasted.
- Take notes that can be referred to at a later time.

Call Center Software and Outsourcing

In recent years, some mortgage brokers implemented call centre software, opting to outsource their calls to streamline their mortgage operations. This allows them to focus on selling to prospects rather than generating interest and leads.

Call centre software automates and standardizes the process of receiving and responding to customer phone calls. Certain software programs provide an all-in-one call solution that uses Practical AI and smart dialers to give brokers more time with live prospects. Other software allows brokers to drop a voicemail and move a contact to a new folder or do-not-call list with a simple click.

MEASURING THE EFFECTIVENESS OF ADVERTISING AND MARKETING

The execution of a personal marketing plan requires a considerable investment of time, money, and other resources. The marketing and advertising initiatives that a mortgage broker chooses to undertake to support their marketing plans will constantly change. The mortgage broker will regularly face decisions such as when (or whether) to send the next mailer; where, when, and how frequently to publish an advertisement in a newspaper; etc.

To ensure that resources are being allocated in the most optimal manner, a mortgage broker needs to measure the effectiveness of advertising and marketing efforts. The mortgage broker must then reconcile the results of these efforts with the resources consumed and determine whether the advertisement or marketing method is worth maintaining, increasing, decreasing, or ceasing.

Measuring the effectiveness of marketing efforts involves meticulous tracking, which requires maintaining detailed records of the results that are generated. For instance, a mortgage broker might build a spread sheet to track a Google Ads advertisement, where they would input how many phone calls and emails it generated, how many of those contacts continued to express interest after the initial contact, and whether the advertisement ultimately led to business.

Operating from a Mobile Office

Though businesses in the mortgage space have traditionally operated physical offices, many mortgage brokers work from a mobile office, often within their own homes. The COVID-19 pandemic caused mortgage brokerages of all sizes to adapt by reorganizing their operations to become virtual organizations, with the majority of staff members working out of their homes.

Overcoming challenges to communication is the key to succeeding in a mobile office environment. A mortgage broker must ensure that there are clear lines of communication between themselves and the management, as well as laterally among other colleagues. Prospective and existing clients must also be able to easily reach the mortgage broker; for example, if a client phones in to the brokerage's office and the mortgage broker is operating remotely, the call should be forwarded to the mortgage broker's mobile phone.

An ongoing effort must be made to find out how each and every prospect learned about the mortgage broker's business. The information and data that is collected should serve as the road map to future marketing and advertising campaigns.

TECHNOLOGICAL TOOLS FOR MORTGAGE BROKERS

A mortgage broker needs to be a highly educated, skilful practitioner who is technologically competent. Consumers have a high expectation that service providers will be able to communicate with them using the latest technological tools that provide critical, time-sensitive information related to the financing of their property. Most consumers are technologically savvy and expect mortgage brokers to be at least on par with their use of technology for communication. The following sections will touch on some of the important technological tools that a mortgage broker will use in their practice.

Streamlining Technologies

A licensee typically requires a wide range of programs to operate efficiently (which will be discussed in detail later sections). Consider the following list of automated systems, identified by Lone Wolf Real Estate Technologies,[3] which many real estate professionals employ on a regular basis:

- Accounting
- Forms and contracts

- Document management
- Contact management
- Lead management
- Lead conversion monitoring
- Advertising management
- Listing syndication
- Blogs and social media
- Licensee website
- Showing scheduling
- Market statistics
- Internet monitoring tools

A licensee can better manage their time by implementing systems that integrate with one another, reducing redundancies and efficiencies. Remember – these programs are supposed to improve efficiency, not reduce it.

Business Tools

Software applications have a significant effect on the mortgage brokerage industry and on how mortgage brokers conduct business. The following offers a non-exhaustive list of software applications that most mortgage brokers will find helpful in their business operations.

Video Conferencing

Many mortgage brokers have adopted video conferencing software to build and maintain relationships with clients, prospects, lenders, conveyancers, and other brokers. There are various platforms available for video conferencing such as Zoom, Facetime, Cisco Webex, Skype, and Google Hangouts. These platforms have allowed brokers to help their clients complete their mortgage applications virtually. While these platforms are highly useful, it is important for brokers to keep in mind that a lot of the information they will be discussing with clients is highly confidential. To avoid unwanted guests in the calls and hackers, brokers must ensure they their platform of choice offers unique IDs and passwords to protect their clients' privacy.

Mortgage Chatbots

AI-powered chatbot systems have grown in popularity and are yet another piece of technology disrupting the mortgage industry. Some firms offer specialized chatbots for mortgage brokers. Chatbots can collect lead data from prospective borrowers, answer frequently asked questions, and even provide quotes in some circumstances. Certain mortgage brokers use these bots to engage with first time home buyers; bots are able to guide buyers through their possible loan options. Another benefit of these chatbots is that they can operate 24 hours a day. These chatbots integrate with websites and services like WordPress, Wix, Google Analytics, Google Ads, and Facebook Ads.

Virtual Tour Software for Showings/Appraisals/Inspections

Another piece of technology that has risen in popularity, especially during the COVID-19 pandemic, is virtual tour software. Appraisers and lenders have used this video technology together with the homeowner to do the interior inspections and verify property valuations. Software (e.g., iStaging, TourWizard, My360, Roundme, EyeSpy360) can create 360-degree virtual tours from panoramic shots in a short period of time. The end product is compatible with devices such as smartphones, tablets, virtual reality headsets, and computers. Additionally, many of these tools allow the tour to be shared among multiple viewers at the same time.

Automated Valuation Models

An automated valuation model (AVM) is a computer program that produces a residential property value estimate based on the analysis of several factors such as property location and market conditions. This type of technology can create reports in seconds for lenders and agents. Automated valuation model (AVM) technology has seen an increase in usage in the mortgage industry in recent years. AVMs allow mortgage lenders to confirm vital property information early in the deal. Brokers may want to consider using the same AVM tool as the lenders they are working with to better facilitate alignment and communication.

As AVMs can provide stronger alignment with mortgage lenders, this type of technology can allow brokers to close more deals and close them faster. Some major AVM companies in the real estate industry include ATTOM AVM – ATTOM Data Solutions, RealAVM – CoreLogic, ClearAVM – Clear Capital AVM, VeroValue – Veros, and Black Knight.

Budget Tracking and Accounting

While spreadsheets can be used to keep track of financial data, most licensees opt for an accounting software package. There are many types of accounting and bookkeeping software packages available; selecting the right one will require a fair amount of comparative research.

Common accounting software packages include QuickBooks, Wave, Zoho Books, Xero, and Microsoft Small Business Financials. However, in a complex situation, the assistance of a professional accountant might be needed.

Databases

Having a system to stay in touch with existing and prospective clients is an integral part of mortgage brokerage. A mortgage broker's contacts and network are largely what drive their business, and organizing contact information and tracking activity with contacts will help a mortgage broker build and maintain the important relationships that are at the foundation of success. Mortgage brokers need a system to organize and manage their client contacts; this includes tracking all contact with past, current, and prospective clients. Database software allows the user to perform the following functions effectively and efficiently:

- Developing a client or prospect list containing addresses, contact numbers, and other vital information
- Maintaining client contact history for future reference
- Recording client information such as type of client, motivation, business history, birthdays, anniversaries, etc.
- Together with word processing software, printing personalized, individually addressed letters to an individual or group of individuals, a feature called a mail merge

- Pre-programming targeted action plans for future communication and automated reminders
- Automating phone dialling
- Varied searching possibilities, allowing customized grouping and targeted marketing

Certain mobile applications (e.g., Lendesk's Spotlight) provide database tools for mortgage industry professionals that compile all lender rates and policies (updated daily) into one place. Rather than compiling rates in spreadsheets and manually searching for lender policies, brokers can quickly filter lender rates, search policies and guidelines, compare products side by side and create reports to present to clients.

Personal Information Management

Personal information management software (PIM) includes a user's email, contacts, and calendar. In short, PIM is at the heart of the technology for any business. The most commonly used PIM application is Microsoft Outlook, although alternative options such as Apple Mail, Contacts, and iCal are continually becoming more popular. Online information suites, such as Google Apps (an online solution for email, calendar, and contacts), are also growing in popularity.

Among other things, PIM software allows the licensee to organize, send, and receive individual or group emails; schedule activities on a calendar with automatic reminders prior to events; and organize and keep track of client information. When properly used, these programs will help a salesperson to stay organized and to maintain contact with their database.

Customer Relationship Management Software

The most common way to organize a database is to employ *customer relationship management (CRM) software*. Users can easily input their clients' information in a CRM by creating a record of each client, which includes detailed contact information. A record has a space for each piece of information (e.g., name, address, type of client). These pieces of information are called fields. Once a record is created, the user can search clients using any field. For targeting specific groups of people, customized fields can be set up to record particular information.

Database or CRM software applications will help eliminate loss of clientele due to lack of contact.

customer relationship management (CRM) software
a database application that manages the user's contacts, controlling and organizing the information pertaining to each contact

Mortgage Broker Origination Software

Mortgage broker origination software is designed to streamline the application process between mortgage brokers and lenders in order to reduce the processing time necessary for mortgage application approvals. This web-based software gives mortgage brokers the ability to prepare online applications, match borrowers and lenders, attach electronic documents (e.g., credit reports), perform calculations, and track pending or completed transactions in an easy-to-use and efficient manner. Origination software connects mortgage brokers to a lender's online system and can be configured with a lender's guidelines to help mortgage brokers determine which lender is suitable for the application they are currently reviewing. This enables mortgage application approvals to be granted very quickly.

The use of origination software helps eliminate many of the data errors that can occur in re-keying information. Mortgage brokers can take advantage of additional features, such as online application forms (along with mortgage calculators and other tools), which can be included on the mortgage broker's website. When a potential client submits an online application, the information is automatically forwarded to the origination software system. Instead of spending time correcting data problems, mortgage brokers can use their time to provide better service to their clients.

Two product examples of origination software are:

- Finastra – Fusion Filogix Expert and
- Newton Connectivity Systems – Velocity (formerly MorWEB)

Fusion Filogix Expert

Finastra (formed in 2017 through the combination of Misys and D+H) provides business solutions to international financial services industries.

Fusion Filogix Expert is a web-based origination software that facilitates mortgage transactions between lenders and mortgage services professionals in the Canadian market. Mortgage application forms are completed in detail (including personal information, employment information, assets, liabilities, loan details, property information, etc.). Once the information is checked to ensure nothing is missing, the application information is then electronically packaged with other important documents (such as a credit report), and finally, it is sent to a lender's online system for approval.

Finastra also provides Fusion Filogix Exchange, which administers flexible and secure document management. Exchange allows originators and lenders to share electronic documents and facilitates improved collaboration on mortgage transactions. Through Exchange, documents can be stored directly to one central deal folder, faxed, emailed, securely transmitted, and archived without a restriction on the size, number of pages, or document file type, for as long as required. Integration with Expert and Express mortgage solutions streamlines the process from mortgage origination through to funding.

Velocity

Velocity (formerly MorWEB) is Newton Connectivity Systems' cloud-based residential mortgage origination technology, which facilitates origination processes between mortgage brokers and lenders. Velocity electronically connects mortgage brokers to lenders, credit bureaus, real estate appraisers, mortgage life insurance companies, and other third-party providers to the mortgage industry.

Mortgage brokers can use Velocity to capture client data for the purposes of mortgage financing. This includes all personal and credit information, as well as all relevant information on the subject property. The mortgage broker can then model the application, pull credit information, and recommend that the application be approved by submitting it to the lender of choice, based on the rate and product information made available on the system by each lender. The lender then underwrites the application, providing an electronic answer to the broker (approved, declined, or pending) and if approved, will electronically return an official commitment letter or pre-approval certificate. Two-way messaging between the underwriter and originator allows for immediate communication of any questions and answers relevant to the file.

Velocity has specific functionality that allows mortgage brokers to manage the entire origination process from start to finish. Tools, such as task management, ensure that no important deadlines or tasks in the process are missed. Velocity's document management capabilities allow for the electronic collection, storage, and delivery of all the supporting documentation required to substantiate the application, eliminating the need for paper and faxes. The mortgage broker can manage the file through to closing and record fees received and outstanding. The system pre-populates all of the relevant information from the application onto all legal disclosure forms and performs all required calculations automatically.

Other useful features within the Velocity application are links to CRM (Customer Relationship Management) tools, built-in e-signing, and automated document capture, among others. In the past, Velocity did not have the capacity to reach all the key lenders in the market, but the technology has since been updated to provide access to all of the key lenders in the market.

Mortgage Lender Software

Mortgage broker origination software is directly linked to lender software, which assists lenders in mortgage underwriting and mortgage management. Lender software allows a lender to receive application information, retrieve and change conditions and terms of the loan (e.g., interest rates), assess risk and potential fraud, apply credit guidelines and conditions (e.g., links to credit bureaus), and communicate approvals or denials. This software also allows lenders to manage mortgages after closing with functions that assist with payment processing, property tax collection, rate changes, prepayment, and arrears management.

Examples of lender software are:

- Finastra's Fusion Filogex Express; and
- Newton Connectivity System's Link Lender

Fusion Filogex Express

Canadian lending institutions may use Fusion Filogex Express as a solution to improve mortgage adjudication and processing productivity, reduce administrative costs, provide real-time portfolio and pipeline data, and measure their performance in real-time. Automated tools are embedded in the software to assist a lender's processing of mortgage applications. Canadian lenders' business rules and conditions can be added and applied uniformly across an entire mortgage portfolio to facilitate functions such as document preparation, fraud detection, reporting tools, and the ability to connect to a choice of industry partners such as mortgage insurers, credit bureaus, originators, title insurers, and appraisers.

Link Lender

In addition to Velocity, Newton Connectivity Systems offers Link Lender, an application that can be used by Canadian lenders for their mortgage origination and administration operations.

Link Lender is a system that can be used by lenders to capture client and property data from a wide range of sources and to handle the processing of mortgage applications, including automated adjudication, underwriting, risk assessment, offer production, document management, and funds disbursement. Link Lender provides the ability to connect to multiple industry partners such as mortgage insurers, credit bureaus, originators, and title insurers. Built-in task management controls activities that need to be completed, by whom, and when, and the system provides a comprehensive audit trail of changes to data, documents, and decisions once an application has been approved.

Each of Newton Connectivity Systems' applications can interface with the others, making it possible to transmit data between systems without the need to manually re-key data at any point in processing, from application to payout.

Fraud Detection/Prevention Software

Mortgage fraud continues to be a problem for all participants involved in a mortgage transaction. Many companies now include fraud detection components in their systems in order to combat this growing issue. Some fraud detection systems, such as Teranet's Purview (available in Ontario), are linked to land title registry databases and checks are performed to detect any potential fraud indicators.

Another potential method of combating fraud in the mortgage industry includes sharing information. Teranet's Real Estate Data Exchange (REDX™) Service is a Canadian cooperative risk management service designed for the mortgage and financial services industries to assist in reducing a lender or insurer's exposure to identity theft, title theft, mortgage fraud, and other forms of misrepresentation and professional misconduct. The service centralizes information on alleged fraud, misrepresentation, and misconduct by professionals and organizations in the mortgage, real estate, and financial services industries, from a variety of sources. Subscribers to REDX™ can perform checks on individuals and companies with whom they do business as a complement to existing due diligence, compliance, and quality control processes. Once a search has been performed, the name is added to the subscriber's registry and as new or updated information is added to the REDX™ service, it is cross-referenced against the names in a subscriber's registry. Incident reports related to any matches are sent to the subscriber to review.

There are two types of REDX™ information reports that are provided to subscribers. A public incident report contains information about public disciplinary, enforcement, and certain legal actions taken by mortgage, real estate, and financial services regulatory bodies and self-regulatory organizations, as well as professional licence/membership verification information. A non-public incident report contains anonymous information contributed by REDX™ subscribers (such as national and regional lenders, mortgage and title insurers, and industry service providers) regarding incidents of alleged fraud and material misrepresentation in a transaction. Non-public reports identify the Professional Originator of the transaction, all Professionals of Record associated to the transaction, and a factual description of the alleged fraud and/or misrepresentation discovered during a subscriber's underwriting and/or compliance investigation. REDX™ does not contain any information regarding the consumers in the transaction. Non-public reports are exchanged through REDX™ without revealing the identity of the report-submitting subscriber (blind exchange).

Mortgage Default Insurance Software

There are two types of mortgage default insurance: mortgage insurance offered by Canada Mortgage and Housing Corporation (CMHC) for mortgages granted under the *National Housing Act* and mortgage insurance offered by private insurers, including Sagen™ (formerly known as Genworth Financial Canada or Genworth) and Canada Guaranty Mortgage Insurance Company (Canada Guaranty).

CMHC, Sagen™ (formerly known as Genworth), and Canada Guaranty each have software systems that process and evaluate mortgage insurance applications from lenders. The software uses sophisticated models that employ multiple statistical formulas to evaluate the borrower's credentials and the subject property in order to assess the risk in granting mortgage insurance and, if the risk is acceptable, to determine the corresponding premium.

The automated software systems offered to lenders by CMHC, Sagen™ (formerly known as Genworth), and Canada Guaranty offer a number of advantages over non-automated approval systems. First, the automated systems can handle many requests within a short amount of time and at any time during the day or week, resulting in cost savings for lenders, insurers, and mortgage brokers, which are often passed on to borrowers. Lenders can receive approval for mortgage insurance within seconds of submitting the application. Furthermore, the software systems' decision models allow for applications to be dealt with in a consistent and predictable manner. The time savings these automated software systems generate allow lenders to focus their time on higher-risk or more complex files.

Mortgage brokers are typically not involved in the application process for mortgage insurance; however, an understanding of the process and systems involved is important. Mortgage brokers should familiarize themselves with CMHC's emili, Sagen's™ (formerly Genworth's) Excel™, and Canada Guaranty's systems. Having knowledge of these systems will ensure that the appropriate information needed by the lender in the application process is included so that the process proceeds in a timely and efficient manner.

Presentation Software

Presentation software, such as Microsoft PowerPoint, gives the mortgage broker the ability to provide relevant visual information as a complement to a spoken presentation. Presentation software is only effective if used skilfully. The following are important tips for using presentation software to prepare an organized and engaging presentation:

- The slideshow presentation is a visual aid, not the presentation itself. A good slideshow should encapsulate the main points of the presentation and help to cement those ideas into the audience's mind, not distract the audience from the actual presentation.
- Slides should complement the presentation, not reiterate what is said. Highlight important numbers and information. Resist the temptation to use the presentation as a script, reading off each point that is written down.
- Focus on the important content only in the slideshow. In general, fewer slides are better.
- Too much information on a slide is ineffective. Use the "6 × 6" format as a guide: no more than six words per point and no more than six lines per slide.
- If possible, use images instead of text to emphasize a point and provide visual learning.
- Proofread all slides thoroughly, double-checking all text and numbers.
- Use proper and consistent visuals and colour schemes (i.e., light on dark or dark on light). Keep it simple. Make sure font sizes are legible and use simple fonts.
- Avoid the use of sounds or complicated transition effects. These will seem novel initially, but only serve to distract from the presentation.
- Always run through the slides prior to the final presentation to ensure that they are in the correct order and that they appear as intended in their final iteration.

Marketing Tools

More than ever before, mortgage consumers are using the internet to prepare themselves for potential real estate transactions. According to the CMHC

Mortgage Consumer Survey, 79% of mortgage consumers use the internet to gather information on mortgage options.[4] As such, the internet plays an integral role in a mortgage broker's marketing plan. When used efficiently, the following technological marketing tools can help a mortgage broker develop their business and achieve the goals established in the marketing plan.

Blogs

A blog is a discussion or informational website or webpage that is regularly updated with posts sharing opinions, news, links, and other types of content. A mortgage-related blog on a mortgage broker's website provides an excellent venue for sharing important and relevant content with visitors to the website. Blogs can attract new viewers to a website, increasing a mortgage broker's online exposure. Regularly updated blogs provide incentive for readers to return to a website often, keeping the mortgage broker and their business at the top of the prospective customer's mind. Blogs can also help with the search engine optimization of a website, discussed in more detail in the next section.

In order to achieve these benefits, a blog must be properly managed. A mortgage broker should use their blog as a method of communicating relevant information to existing and potential clients, including:

- tips for understanding frequently used mortgage forms and documents;
- recent market news combined with the mortgage broker's own anecdotal observations;
- upcoming local events, conferences, and meetings; and
- changes in legislature affecting real estate and mortgages in the province or region.

Podcasts

Podcasting is a platform that allows for the sharing of audio content. Mortgage brokers can record and broadcast their thoughts, interviews with guests, and insights into industry news. Production equipment can range from simply using a mobile phone to professional studio settings.

Search Engine Optimization

In order for a website to be an effective tool for a mortgage broker's business, it needs to be easy to find. *Search engine optimization*, frequently shortened to SEO, is the process that affects how easily a website can be found in organic (unpaid) results on search engines like Google.

search engine optimization (SEO)
the process that affects how easily a website can be found in organic results on search engines

Optimized websites appear towards the top of the list when certain keywords are typed into a search engine. Search engine optimization employs various methods to help ensure that a particular website will appear towards the top of relevant searches, which translates into more visits to the website.

Search engine optimization is a key component of marketing a website. There are several methods used in SEO, some of which can be implemented with relative ease, while others require the services of a professional with extensive SEO knowledge. Using relevant keywords throughout the website, posting original content, and regularly updating the website are some ways to improve a website's search engine performance.

Web Analytics

When professionals invest a significant amount of time and money into their professional websites, they understandably want to know that these resources are being properly allocated.

Web analytics refers to the measurement, collection, analysis, and reporting of data pertaining to how visitors are using a website. Web analytics can provide information such as how many people are visiting the website and whether they are first-time visitors or returning visitors. The information from web analytics allows the website owner to pinpoint where visitors reside, which medium they use to access the website (e.g., computer or mobile phone), and how long they spend on each web page. Analytics can provide details such as the precise words that were typed into a search engine that led the user to the website.

web analytics
the measurement, collection, analysis, and reporting of data pertaining to how visitors are using a website

To determine a website's effectiveness, website owners should review web analytics regularly, as the information contained can improve the website and, in turn, the business. For instance, if a mortgage broker notices that many of the website's viewers come from a particular geographical area, this might provide a good indication of where they should be targeting other forms of business marketing.

Google Analytics is one of the major web analytics providers. It is a free service that can be embedded into a website, allowing the website owner to easily monitor the website statistics.

Email Marketing

Email marketing can be an effective way to communicate with an entire network or with one or more segments within a network, all at once. However, email marketing can also be perceived as spam (i.e., unwanted email messages flooding the recipients' email inboxes). Following proper protocol will ensure that email marketing tactics are viewed as valuable information, not as junk mail.

Some mortgage brokers choose to send regular newsletters to their mailing lists. These newsletters can be used to share market information and real estate tips. They also help promote the mortgage broker's business, as regular contact with a client will help ensure that the broker stays on the client's radar. A successful newsletter campaign requires several different elements. First, newsletters should be sent regularly; the goal is to contact clients somewhat frequently, but not so often that they are not provided with valuable content. Generally speaking, newsletters should not be sent more frequently than once per week, nor less than once per quarter.

A newsletter should provide compelling content such as market news, local events, mortgage-related tips, and information on real estate. A mortgage broker might choose to touch on each of these subjects in every newsletter, or they might prefer to focus on one theme per newsletter. Creating a schedule with newsletter topic outlines can help ensure that content is balanced.

The following guidelines are important to keep in mind when sending a newsletter:

- Every newsletter should be carefully proofread prior to being sent off.

- Use a friendly but professional tone and keep messages relatively succinct to keep readers engaged.
- Pictures can enhance the look of the newsletter, but remember to keep the file size of the newsletter small, so as not to make receiving the message difficult.
- Make sure to respect the recipients' privacy. Never include a client's email address in a message for others to read. Instead, use the BCC (blind carbon copy) field when sending emails to multiple clients. Mailing list software will do this automatically.
- When using mailing list software, ensure that responses to the mailing list emails will only go to a specified address and not to the whole list.
- Provide an option for subscribers to opt out of receiving future newsletters if they are no longer interested.

ALERT

Canada's Anti-Spamming Legislation (CASL) protects consumers' privacy, deters deceptive forms of spam, and gives consumers greater control over their receipt of electronic messages. Spam, also known as junk email, is mass distributed and unsolicited email. It has become a large and growing problem for email users as it clogs up email accounts and is often difficult to discern from legitimate email messages.

As professionals who are typically active in promoting themselves electronically, licensees must be careful to comply with the provisions of CASL.

CASL regulates the transmission of commercial electronic messages (CEMs), which are defined as electronic messages that, having regard to the content, links, and contact information provided, would reasonably be interpreted as encouraging participation in a commercial activity. This is quite a broad definition, encompassing not only emails but also text messages and sound or image messaging; moreover, expectation of profit is not required for a message to be deemed a CEM. Every CEM must:

1. **Be sent with the recipient's express or implied consent to receive such messages**

   Express consent, which can be received in writing or orally, can be obtained by issuing a clear and simple request for consent, stating the purposes for seeking consent, the identity and contact information of the organization, and the fact that the recipient may withdraw consent at any time. Note that consent cannot be assumed in an express consent request (e.g., a box for a recipient to give express consent cannot be pre-checked by the sender). Moreover, express consent requests are themselves potentially unsolicited CEMs; therefore, these requests can only be sent to recipients who have expressly or impliedly agreed to receive such messages.

   Implied consent exists where the sender and recipient have an existing business or non-business relationship within the past two years, or where the recipient's email address was conspicuously published or disclosed to the sender without an indication that unsolicited CEMs are unwelcome.

2. **Include clear identification and contact information**

   The CEM must identify the sender, the company, and, if applicable, the name of anyone else on whose behalf the CEM is sent. Additionally, the CEM must include the sender's mailing address and a phone number, email address, or web address of the sender or of the person on whose behalf the CEM is sent.

3. **Provide a no-cost unsubscribe mechanism**

   The CEM must contain an unsubscribe mechanism that is free of cost to the recipient and can be easily performed.

   An important exception to CASL's restrictions on unsolicited CEMs for licensees to note concerns third party referrals. If a licensee has been referred to a potential client or business partner and the person making the referral has an existing relationship with both the person they are referring and the person they are referring to, the licensee is allowed to contact that potential client or business partner. The CEM must identify who made the referral, indicate that the message is a result of that referral, and include an unsubscribe mechanism. It must also include the standard identity and contact information required of CEMs generally.

   The maximum administrative penalty for contraventions of the Canadian Anti-Spamming Legislation is $1,000,000 for an individual and $10,000,000 for any other legal entity, including a business. In order to avoid liability for breach of CASL, licensees should do the following:

   - keep a log indicating how, when, and in what form (express or implied) consent has been obtained for each party on a mailing list;
   - maintain an accurate and current list of consenting recipients;
   - add clear "opt-in" statements on websites and application forms to obtain express consent for CEMs;
   - add an unsubscribe option to all current CEMs and quickly remove recipients who request to be unsubscribed from receiving future CEMs;
   - create procedure manuals and policies for compliance with CASL and appoint a person to oversee compliance in the office; and
   - review the CASL FAQ (*https://crtc.gc.ca/eng/com500/faq500.htm*)

Manually designing email newsletters can be time consuming and tedious. Email marketing software (e.g., Mailchimp) allow mortgage brokers to set up a simple campaign to automatically email leads through what is called an "email drip campaign." An email drip campaign operates by sending out emails on a predetermined schedule. This is highly effective in constantly reminding customers about the business. Through services like Mailchimp, emails can also be automated based on date (e.g., reaching out to people on birthdays or anniversaries) or behaviour-based automations, or to re-engage with old customers. Some email marketing software providers (e.g., Campaigner) offer extensive sets of features including auto-response, email segmentation, engagement scoring, geolocation, and purchase behaviour. Some programs integrate with Adobe Analytics, Facebook, Google Analytics, Salesforce, and Twitter, among others.

Short Messaging Service (SMS)

Another form of marketing is through Short Messaging Service, or SMS. SMS comes preinstalled on every smartphone and there is no need for extra configuration, so even the less tech-savvy customers can receive advertisements. SMS marketing does not support images, video, or other popular communication media – it is limited to short text messages only. If a text contains too much information, the target will likely perceive it to be spam.

Mortgage brokers use SMS to inform clients on news and trends that could affect their mortgage or new home loan, update them with good deals, and nurture the relationship with post-transaction follow-ups.

Social Media

Social media consists of virtual communities and networks that allow participants to communicate, interact, create, share, and exchange information and ideas. Statistics show that 22% of buyers use social media platforms to research mortgage information.[5] Certain social media platforms, such Facebook, Instagram, and LinkedIn, appear to have withstood the test of time (for now), while others quickly fade in and out.

social media
virtual communities and networks that allow participants to communicate, interact, share, and exchange information and ideas

When used properly, social media can provide mortgage brokers with opportunities to interact with their networks, to establish new contacts, and to share and receive important information. However, inefficient use of social media can waste a significant amount of time and can create an unprofessional image.

Social Media Sites

Though many social media sites exist, there are a few larger players that mortgage brokers might find helpful in executing their social media strategy.

Facebook

Facebook allows individuals to create accounts to share photos, status updates, videos, and links to websites they find interesting, among other things. Facebook users can connect to one another and can communicate with each other, publically or privately.

Businesses, including individual mortgage brokers, can create “Pages” to promote their organization. Individuals can subscribe to the business’s page, receiving updates and notifications sent forth by the business. A mortgage broker’s page should contain contact information, including a link to the main website and an email address. The page should be updated regularly with noteworthy links and news, posts showcasing new services and explaining new legislation, alerts of a new blog post, and other messages that a reader might find interesting.

LinkedIn

LinkedIn is a social networking website geared towards professionals. A profile page essentially reads like a resume, so other people can see a user’s past and current work experience.

A LinkedIn profile should highlight the user’s professional experience and can be used to maintain links to existing contacts and to establish new connections. Profiles indicate areas of professional expertise and individuals can recommend a user and provide references that others can view. LinkedIn can also be used to share status updates, links to websites, market news, original content, etc.

Twitter

Twitter provides a platform to send out short messages and pictures or video clips. Twitter can be used to share and find news, to provide links to interesting articles and websites, and to converse with followers, other businesses, or any other Twitter users. Hashtags are used to indicate keywords pertaining to a message (e.g., #mortgage); individuals can search these keywords to explore messages being posted about that particular topic.

The best Twitter accounts provide purposeful and relevant content. Add value to followers’ Twitter feeds; do not just post something for the sake of it.

Instagram

Instagram is a photo and video sharing application. Unless an account is set to private, anyone can follow a user. Viewers can add to the conversation by commenting on a photo or video that is posted or by tagging another user who they think might be interesting in the content – or they can simply signal their appreciation of the photo by clicking on “like” below the photo. As with Twitter, Instagram uses a hashtag system to categorize keywords associated with images. Instagram’s “Stories” feature provides another avenue for sharing photos and videos, typically on a short-term basis, where the posted content disappears automatically after 24 hours. A “Live” feature also allows a user to stream live video content while interacting with anyone viewing the stream.

YouTube

YouTube is a video-sharing platform where users can submit their own videos, which can be made available privately or publicly. Brokerages can use YouTube for a variety of purposes including sharing brokerage news, profiling team members and neighbourhoods, creating how-to videos, etc. The most successful real estate related YouTube videos are succinct with a professional production quality.

WhatsApp

WhatsApp is a text and voice messaging app that can be used on both computer and mobile devices. It allows users to make one-on-one and group calls through Wi-Fi and cellular data. It is highly popular and is just behind YouTube and Facebook in monthly users. Recently, WhatsApp has started allowing businesses to showcase advertisements on the platform. Ads will cover the entire screen of a smartphone and allow users to find out more information about the advertiser by swiping up.

Social Media Metrics

Social media metrics will help determine if a social media strategy is achieving its goal, whether that goal is building awareness, sales, or loyalty. Each platform offers different sets of data that might or might not be relevant to a business. Mortgage brokers should establish which parameters align with their goals and focus on these metrics. For instance, if the goal is to increase awareness of the business and to build new contacts, a mortgage broker could track the number of new followers gained on social media platforms. By determining which metrics are relevant to the mortgage broker's business and goals, they can avoid paralysis by analysis.

The results of a social media strategy will not always be easy to measure and will not usually materialize instantaneously. Social media requires a long-term commitment and regular participation. Patience and persistence are the keys to success.

Investing in Tools for Success

Investments in new technologies can be significant; it is understandable that a mortgage broker might be hesitant in investing money in a new, unproven technology when the current method is adequate. Opportunities for technological improvement include upgrading the licensee's website to replace an outdated one; new software that will make it easier to provide services; etc.

The licensee needs to be knowledgeable about the technological opportunities that are available and must be willing to seek out the education required to make an informed decision. Some brokerages will invest in these tools and make them available to licensees; licensees may wish to make suggestions to the managing broker in terms of tools that will help its representatives. Being at the forefront of technological developments can contribute to both a licensee's and a brokerage's competitive advantage and position in the market.

Additional Technological Considerations

Technology provides a new set of tools, but also comes with its own regulations and protocols. The following topics should be considered in developing a technology strategy.

Data Protection and Backup

It is critical for a mortgage broker to protect the data on their computer. They must have some form of backup (data storage) for important business and client information. Hardware and software can be replaced with relative ease, but when the data created using those programs is lost, it translates into a loss of time and income. Lost data can be irreplaceable.

Data must be backed up frequently. The importance and sensitivity of data will determine just how early and how often to make backups, but the more intentional a mortgage broker is about backing up, the less likely they are to experience accidental data loss.

To properly back up data, the data must exist in two different physical locations. Normally, the primary copy of data will be on the computer hard disk drive. Backing up this data to another location on the same hard disk drive, while helpful in case of accidental deletion or file damage, will do the user little good if the drive is damaged, lost, or stolen. As a result, data will need to be copied to another physical location. This location can be selected from a variety of storage mediums, including a company server, an external hard disk drive, or an online backup storage solution such as the cloud. *Cloud storage* refers to a model of networked enterprise storage where data is stored in virtualized pools of storage, which are generally hosted by third parties. Cloud storage in programs like Google Drive means that the user never needs to worry about storing, copying, or backing up documents – they are available wherever the user has internet access. However, note that cloud storage is only as secure as the strength of the user's password.

cloud storage
a model of networked enterprise storage where data is stored in virtualized pools of storage, generally hosted by third parties

ALERT

Principles for Cybersecurity Preparedness

Cyber threats are a growing risk for the mortgage brokering sector, which is entrusted by clients to protect their information Proactively managing this risk helps protect against attacks seeking to compromise or steal electronic information.

Cybersecurity is the application of technologies, processes, and controls to defend infrastructure such as systems, networks, programs, devices, and data. It aims to reduce the likelihood and impact of cyberattacks that could lead to unauthorized access to sensitive client information and the disruption of business activities due to interference in critical infrastructure and corporate networks. To support cybersecurity preparedness in the mortgage brokering sector, the Mortgage Broker Regulators' Council of Canada (MBRCC) established the following principles to propose practices to avoid cybersecurity incidents and properly respond to them when they occur:

1. Responsibility and Resourcing

   Regulated entities should appoint a person responsible for overseeing cybersecurity risk to ensure accountability. Responsibility for complying with safe cybersecurity practices applies to all people in an organization, even if they do not have oversight roles. Entities should invest and assign all the resources needed to develop and maintain effective cybersecurity safeguards to protect client information, particularly personal information. Regulated entities should:

   - Develop cybersecurity preparedness policies and procedures.
   - Require that individuals responsible for overseeing cybersecurity maintain their skillset and understanding of cybersecurity risks including ways to mitigate these risks through ongoing education.
   - Raise awareness of cybersecurity risk by providing guidance to staff and management (as applicable) to ensure cybersecurity preparedness. This may include training and reminders of cybersecurity risks.
   - Consider purchasing insurance for cybersecurity liability that is appropriate to their needs.

2. Identification and Prevention of Risks

   Regulated entities should:

   - Identify key cybersecurity risks like loss of client information or system access issues related to:
     - Access granted to staff;
     - Use of third-party service providers; and
     - Safeguarding of processes, technology hardware or facilities.
   - Have appropriate "endpoint" risk detection protections, such as regularly updated anti-virus and malware scanning software.
   - Conduct a cyber incident business impact assessment and ensure cybersecurity risks are part of the business continuity plan.
   - Take adequate steps to minimize the likelihood and impact of a risk once identified, for instance, establishing robust data management processes and controls to ensure responsible management of client data.
   - Determine the entity's comfort with identified risks ("risk tolerance").

   Regulated entities that are third-party service providers, for example to financial institutions, should take reasonable steps to understand and comply with the expectations of third-party service providers regarding cybersecurity and IT risk management, as applicable.

3. Incident Monitoring, Detection and Response

   Regulated entities should have a protocol for monitoring, detecting and responding to cybersecurity incidents as part of their policies and procedures for cybersecurity preparedness. The entity should have an incident response plan to protect client information and minimize service disruptions if an incident is detected. Aspects of this plan may include:

   - Suspending some business processes to limit information vulnerability.

- Sharing relevant information about incidents with clients, third parties (including mortgage lenders) and regulators (as requested or, in some jurisdictions, required).
- Determining if the criteria for return to business as usual have been met.
- Restoring lost or corrupt data, processes and/or systems that would enable a return to business as usual.

4. Third-Party Management Regulated entities should protect their clients' information throughout the application and closing process by taking reasonable steps to ensure that their external third-party services providers also have cybersecurity preparedness practices in place. The mortgage brokering sector works within an ecosystem of providers; more complex and extensive networks increase cybersecurity risk. Careful relationship management is important to minimize vulnerabilities and to help ensure the protection of client information. Relationship management may include parties formally establishing processes and procedures for managing cybersecurity risks.

Source: MBRCC. "Principles for Cybersecurity Preparedness". www.mbrcc.ca

Legal Considerations

The need to back up data files is extremely important from a legal perspective. For important transaction-related data (e.g., documents and client communication), it is advisable to retain hard copies, especially if they contain written notations, signatures, or initials. The issue with some electronic documents and email communications is that verification of authenticity is difficult. Any verification of a dated communication helps to give credibility to a statement or an allegation. However, electronic communication may not stand alone as evidence if there is a question as to the authenticity or origin of communication.

ALERT

Recordkeeping Requirements for Mortgage Brokers

Section 6(a) of the *Mortgage Brokers Act Regulations* requires that mortgage brokers keep such books and records as are necessary for the proper recording of their business transactions. The Registrar's requirements for keeping books and records are set out as follows.

1. Mortgage brokers shall keep separate, and make available at their registered business address for a period of seven years, all records relating to each mortgage transaction or potential mortgage transaction in which the mortgage broker is involved, including:
   - signed copies of client service agreements;
   - signed copies of mortgage administration agreements;
   - commitment letters;
   - mortgage applications;
   - property appraisals;

- credit bureau reports and authorizations;
- records confirming down payment information, such as bank statements and gift letters;
- copies of client income tax records, such as Notices of Assessment, tax returns, and T4 slips;
- copies of employment letters and pay stubs confirming client employment and income;
- copies of rental tenancy agreements confirming rental income;
- business licences and incorporation documents confirming existence of business operations;
- signed copies of cost of credit disclosures;
- signed copies of investor lender disclosures;
- signed copies of conflict of interest disclosures;
- client banking records;
- receipts of monies from client; and
- any other relevant documentation or information relating to the transaction.

2. Mortgage brokers may keep any inactive records in a secure offsite storage facility, provided that the records are easily retrieved and made available to the Registrar or the Registrar's staff at the mortgage broker's registered business address within a reasonable period of time of them being requested by the Registrar or the Registrar's staff.
3. If a mortgage broker does not have a registered business address in British Columbia, it shall make available to the Registrar's staff at the Registrar's office or the service address of the mortgage broker, all records requested by the Registrar or the Registrar's staff within seven business days of the request being made.
4. All records, including electronic records kept in third party databases, must be under the direct control of the mortgage broker and no other party, such as a separate franchising or management entity. A mortgage broker shall not enter into any contracts, agreements, or arrangements that result in the mortgage broker relinquishing control over any of its mortgage broker records to third parties.
5. All records may be kept in electronic form provided that the record can be easily reproduced in a printed format.

Source: BCFSA. MB 12-001. February 2012.

Digital/E-Signatures

A *digital/e-signature* is a code that is attached to an electronically transmitted message that, acting like an "electronic seal", uniquely identifies the sender. Like a written signature, the purpose of a digital/e-signature is to authenticate or guarantee that the individual sending the message really is who they claim to be and to ensure the integrity of the data (that is, to assure that it has not been altered in any way).

digital/e-signature
an unforgeable encrypted code that uniquely identifies the sender when attached to an electronically transmitted message

To be effective, digital/e-signatures must be unforgeable. Using a technology called cryptography, protecting information is accomplished by encrypting it into an unreadable format. Only those with a secret key or code can decipher the information. Cryptography can be used to protect email messages, credit card information, and corporate data.

In British Columbia, the *Electronic Transactions Act*[6] (the “Act”) facilitates e-commerce by reinterpreting provincial law so that references in legislation to “writing” and “signatures” can be satisfied by electronic equivalents. The purpose of the Act is only to render provincial legislation technology-neutral, and not to compel anyone to use electronic means or make every electronic communication a binding contract. The key features of the Act are:

- When a BC statute makes reference to “written” documents or signatures, it will not exclude electronic documents and signatures merely because they are in electronic form.
- A legally binding contract may be formed by an offer or an acceptance communicated through electronic means, but only if the parties so intend.

Documents “that create or transfer interest in land and that require registration to be effective against third parties” are excluded from the Act. However, other documents that relate to land or land transactions, such as listing agreements, are covered by the Act.

In 2012, the Land Title Survey Authority began phasing in mandatory electronic filing of most documents to the Land Title Office. Registered owners (and certain other entities) may still file documents in person. When e-filing, land title forms are still printed on paper for the parties to execute, and their signatures are still certified by the lawyer or notary public. However, once executed, the lawyer or notary applies their digital/e-signature to the electronic form and then submits it electronically to the Land Title Office. The electronic document received is deemed to be the original for all purposes.

Freedom of Information and Privacy

The increased ease of accessing information has raised concerns about the privacy of information. A mortgage broker must be aware of the level of privacy that clients expect and should ensure that personal and confidential information is not displayed in a public medium or online without the client's permission. In British Columbia, the *Personal Information Protection Act* (PIPA) regulates the way private sector organizations collect, use, secure, and disclose personal information. Safeguards, such as user security and encryption, are required to prevent confidential information contained in loan applications from being leaked publicly.

ALERT

As the *Personal Information Protection Act* impacts the information that is collected and used by mortgage brokers, you should familiarize yourself with the provisions of the legislation and with the ten related privacy principles:

Principle 1:	Be accountable
Principle 2:	Identify the purpose
Principle 3:	Obtain consent
Principle 4:	Limit collection
Principle 5:	Limit use, disclosure, and retention
Principle 6:	Be accurate
Principle 7:	Use appropriate safeguards
Principle 8:	Be open
Principle 9:	Give individuals access
Principle 10:	Provide recourse

Keep in mind that personal information means information about an identifiable individual, including:

- name, age;
- home address, phone number;
- marital status, religion;
- race, ethnic origin, sexual orientation;
- education;
- income, purchases, and spending habits; and
- employment information.

Further information can be found at: *www2.gov.bc.ca/gov/content/employment-business/business/managing-a-business/protect-personal-information*

Mortgage brokers may wish to consult the websites of the Office of the Information and Privacy Commissioner for British Columbia at *www.oipc.bc.ca* and the Office of the Privacy Commissioner of Canada at *www.priv.gc.ca* for further information and requirements of other statutes.

ALERT

The British Columbia Financial Services Authority clarifies the obligations of mortgage brokers and sub-mortgage brokers in dealing with the protection, use, and transfer of confidential client information.

1. In addition to the requirements of relevant legislation on the protection and privacy of personal information, a mortgage broker must not disclose information regarding a client or a transaction to another person unless the disclosure has been authorized by the client or the disclosure is required by law.
2. Mortgage brokers and sub-mortgage brokers must take reasonable steps to ensure that client information is kept safe from access by persons who are not authorized by the client to have the information unless such access is required by law.
3. When a client terminates the services of a mortgage broker and subsequently retains an alternate mortgage broker, the terminated mortgage broker must, upon receiving a written client authorization to transfer documents, cooperate with the newly retained mortgage broker by transferring all original client documents, such as original income tax documents, and copies of other relevant file contents, such as mortgage applications and commitments, to the newly retained mortgage broker. The terminated mortgage broker must keep a copy of the transfer authorization from the client.
4. A sub-mortgage broker who transfers their registration from one mortgage broker to another must not make use of client information obtained in the course of their registration with the former mortgage broker unless the new mortgage broker, to whom the sub-mortgage broker is registered, has obtained consent from the client to use such information.

Source: BCFSA. MB 10-001. January 2010.

Note that in certain transactions, the *Personal Information Protection and Electronic Documents Act* (PIPEDA) may apply instead of PIPA. PIPEDA is federal privacy legislation and, in British Columbia, will apply to federal works, undertakings, or businesses, and interprovincial or international transactions. For example, banks are federally regulated businesses; therefore, a mortgage broker employed by a bank who collects personal information on behalf of the bank would have to comply with PIPEDA rather than PIPA.

Both PIPA and PIPEDA require organizations to develop policies and appoint one or more individuals to ensure that the organization complies with privacy legislation. In the event of a privacy breach, a mortgage broker must contain the breach, evaluate the risks, notify the appropriate individuals and/or organizations of the breach, and review its policies to prevent future breaches. In addition to the affected individuals, other parties, including police, insurers, and the Office of the Information and Privacy Commissioner, may need to be notified in certain cases. More detailed information regarding the appropriate protocol when responding to privacy breaches can be found on the websites of the Office of the Information and Privacy Commissioner for British Columbia and the Office of the Privacy Commissioner of Canada.

As a Mortgage Broker...

Mortgage brokers and sub-mortgage brokers must be aware of privacy risks that may be encountered in the course of providing mortgage brokerage services. In 2008, 14 data breaches were reported by a string of Ontario mortgage brokers in the span of a few months, and in each instance, someone had impersonated a mortgage agent (the equivalent of a sub-mortgage broker in Ontario) and accessed the credit reports of both clients and non-clients, which could potentially be used for identity fraud. Consequently, the Office of the Privacy Commissioner of Canada conducted a privacy audit of five brokerages and released a report in 2010. The issues discussed included:

- The lack of training among mortgage brokers regarding privacy responsibilities and the procedure for handling privacy-related questions
- The lack of controls in the software to limit the number of reports a mortgage agent can download
- Storing files containing personal information in unsecured, easily accessible areas
- The lack of a secure method for shredding old documents
- Obtaining clients' credit reports and using this information for secondary purposes, such as marketing, prior to receiving their consent.

Mortgage brokers should ensure these risks are not present in their workplace.

CONCLUSION

Marketing is all about understanding and providing for the customer. This chapter introduced several marketing concepts and explored the main high-level considerations when developing a marketing plan. The key is to ensure that the needs of the customer are both fully understood and met.

This chapter also discussed the technology that a mortgage broker will use in their practice. Technology changes at a rapid pace and mortgage brokers need to be familiar with technological tools that can increase their productivity.

Mortgage brokers will be able to serve their customers efficiently if they take advantage of the many technology-based tools available to them today.

1 Main, K. 2020, May 29. “Facebook Ads vs Google Ads: Which Is Best in 2019”. Retrieved from *fitsmallbusiness.com/facebook-ads-vs-google-ads*

2 Selders, S. 2020, March 30. “Facebook Ads vs. Google Ads: Which Is Best? We’ll Boil it Down”. Retrieved from *www.webfx.com/blog/social-media/facebook-ads-vs-google-ads*

3 *www.lwolf.com*

4 2023 CMHC Mortgage Consumer Survey, *www.cmhc.ca*.

5 2023 CMHC Mortgage Consumer Survey, *www.cmhc.ca*

6 Information on the *Electronic Transactions Act* was supplied by David Spratley, Davis & Company, Vancouver, BC.