

## Targeting the Credit Challenged Borrower

In good or bad times, things happen in peoples' lives that impact their ability to qualify for A-paper loans. That's good news for you. Why? Because originating subprime loans sets you apart from lenders who only deal in A-paper. A-paper lenders have to work harder to set themselves apart from the competition. Prime lending clients will rate shop because it's very easy to determine what their rate will be. They can use the internet and have multiple quotes within a matter of minutes. It's not as easy for a subprime client to rate shop because there are more variables used to set the rate.

When working with credit challenged clients, it's easy to fall into the trap of thinking that all your clients lack discipline and just don't pay their bills on time. That certainly can be a reason for low credit scores. Other reasons include: medical bills, job loss, death of a spouse, divorce and poor spending habits. Try and have compassion for the client's situation, and help them retain their dignity. Typically people already feel bad enough about their problems and don't need anyone reminding them of their faults.

If you're considering doing subprime loans, it's important to have the ability to:

- Communicate clearly and effectively
- Judge the probability of the loan closing
- Risk grade your clients
- Identify reputable, dependable lenders

Listen to what your clients say and don't say. Uncover the underlying reasons for the loan. Use this information to sell the payment and their improved cash flow. Your clients will concentrate less on the rate and more on the long-term outcome. Remind clients that this is a short-term solution and that they will likely be able to refinance in the near future. Your ability to judge the probability of the loan closing is directly related to your ability to assign an accurate risk grade. Work with your account reps to help you identify the proper risk grade. Doing this will save you work and reduce the stress you could feel later.

So you've decided to take plunge and target credit challenged clients. Good for you. How are you going to reach these clients? You have quite a few options available to you including:

- Direct mail
- Seminars
- Email
- Website
- Word of mouth

**Direct Mail.** This can be one of the least expensive forms of marketing to do. The key is to be consistent and frequent in how you contact prospects. Choose a postcard campaign that has 12 cards and set up an ongoing mailing program. Always offer something of value to give your prospects a reason to call you. Target those who have a prior bankruptcy, low credit score or tax liens. Make sure to work with a reputable list company and specify the financial criteria you wish to target.

**Seminars.** Offering education to prospects sets you up as an expert and trusted advisor. You're providing a service that credit challenged prospects need. Topics you could offer include: credit repair, understanding your credit score, how to understand what your credit bureau tells you about your credit and factors that affect a subprime loan. Provide booklets and/or handouts to attendees. Offer free credit consultations and be prepared to set appointments at the session.

**Email.** This is a popular way to notify prospects of your services. It's become so popular in fact that we have a name for it – it's referred to as spam. If you're going to use email, purchase an opt-in list. The opt-in list identifies those who have expressed interest in a topic. It's important to obtain a well targeted list and to provide useful information on a weekly basis.



**Website.** Consider creating a subprime site. You want to drive those that know they have credit problems to your site. Offer tools including ways to help your prospects identify their current credit grade. Provide free reports about credit related topics. Include resource links to help prospects learn more.

**Word of mouth.** Tell your professional referral sources you do subprime loans. If you don't mention it, they may assume you don't do this type of loan. Create a handout that describes your "ideal" subprime prospect. Give this to all your professional referral sources. Call your past clients and let them know you can help their family members or friends who may be experiencing financial difficulties.

One of the best ways to obtain clients is to help them improve their credit score. You will gain their loyalty and ultimately their loan and referrals. Know what you can and cannot do and market consistently to reap rewards regardless of what's happening in the market.

© 2008 by In Touch Today Corporation and its licensors. This article may be reproduced only in its entirety.

*In Touch Today is a marketing company based in Denver, Colorado, that assists professionals in increasing their repeat and referral business as well as building professional referral sources and prospecting new clients. [www.intouchtoday.com](http://www.intouchtoday.com)*