

# CREDIT PROOFREADING

A new referral building strategy for 2009

BY WILLIAM DIPAULO



**M**y first job out of college back in 1988 was selling copying machines out of the back of a van. It was brutal sales work that consisted of an endless cycle of door knocking, lugging copiers into businesses, making copies and hauling them back to my van. Rarely, somebody bought one; and oh, what

a feeling!

But it was nothing like the feeling I received when my phone would ring with a call starting like, “Jack over at Mesa Electric said I should talk to you about a new copier.” It was a referral from a past client. God bless Jack.

Selling to referred clients is radically different than selling to cold prospects. Referred clients waste no time christening you with acknowledged titles such as “the product expert,” “trustworthy consultant,” or even the near knight worthy, “my problem solver.” These titles I wear proudly and make the referred sales call glide toward a signed order.

After my first year in sales, Jack and people like him, helped me sell more copiers than 98 percent of the company’s 900 sales people. Referrals work well when I can consistently generate them, and while copiers are nothing like mortgages, credit proofreading may be the best referral generating opportunity your mortgage business has ever had.

To make real money with referrals you need a system. You must modify your current prequalification process to include a strategy that will make every client want to refer friends and family to you. Every client should leave

your office feeling fortunate to have used your services and knowing they may have lost out by going with someone else. These applicants become the best kind of sales person the world has ever known: the payroll-free power referrer.

You can build a healthy mortgage business when you stop trying to find all the prospective borrowers yourself. Right now, consumers are arranging mortgage loans with people they don’t know, have never heard of and met randomly. These people should be calling you at the request of a friend or family member you’ve helped in the past. Let your competition buy the leads, work the phones and sell to strangers. You on the other hand, will service the needs of the people who call you; people that want credit proofreading... people sent to you specifically by your power referrers.

Before I describe the referral generating system, I must explain credit proofreading and why it’s important to your applicants. To do this, imagine your next applicant sitting across from you, nervous and waiting for you to put a loan together; a loan wholly influenced by the credit report. While you’re thinking about the credit report, imagine it as a photograph; a picture of your borrower’s credit profile at that specific moment in time. It is this credit profile snap shot which determines the financial terms, favorable or not, your applicant receives. Wouldn’t it make sense to ensure the credit profile is photo-friendly before it is used for qualifying? Why not say something like, “Before we look at loan options, my system will proofread your credit profile to ensure it is optimized and accurate, so your credit report gives you the most borrowing power possible.” Wouldn’t your applicant’s jaw just drop to the floor? ➤

Credit profiles ebb and flow continually as credit data is added and removed. Like an amoeba with no defined form, the credit profile grows over time to resemble the data it contains. Unable to discern data quality, the credit profile may grow flabby, collecting bad information or even wrong data entirely. The real insidious thing is that credit reports produced from credit profiles rife with bad data exhibit no symptoms. It is likely that even if you poured over every line of the report you'd never suspect anything was wrong, neither would your borrower, and nor would the FICO scoring algorithm, which happily crunches up erroneous data from these wheezing, out-of-shape credit profiles and cranks out a credit score with weaker than normal borrowing strength.

I think it is fair to say that most mortgage originators enter a name, address and social into their credit system, cross their fingers and press order. Then they wait three to five seconds for the FICO scores to show up. While many have mastered a comforting smile while simultaneously recovering from a sub 600 FICO gut punch, I would say most never entertained that some of these scores may be lower than normal because they were calculated using

inaccurate and/or non-optimized data in the borrower's credit profile. Because it never crosses their minds, originators work with the scores they've received and either place the loan or send a polite decline letter.

I performed a quick Google search to see if I could find any statistics regarding how many credit profiles contain data errors. On the first page I found a June 17, 2004 article on CNNMoney.com that stated, "twenty-five percent of credit reports contain errors serious enough to deny consumers access to credit." This means one of your next four applicants may be denied because the credit score was wrongly lowered by errors. Unfortunately, these aren't the only types of errors deflating FICO scores; there's another more damaging type that's harder to detect.

If credit data errors weren't enough to make you question credit score accuracy, I will pile on a concept called "credit use" errors. This means that if your applicant uses his credit cards improperly, the credit score gets hammered. This is tricky because no guide or reference material exists to teach consumers the best way to use their credit. It's analogous to a dog first learning the boundaries of an invisible fence. Actually, it is more like a blind dog because the poor thing has no idea why life keeps shocking the daylight out of him.

Credit use errors often appear in different forms, which make them hard to detect. Worse, consumers seemingly making good short-term financial decisions inadvertently commit blaring credit use errors and never realize it. For example, consider the woman in line at a retail store. During checkout the clerk robotically asks if she'd like to save an immediate fifteen percent by putting her purchases on a new store credit card. Since her purchases total \$350, this seems an effortless way to save \$50. Zap! She's just committed a heinous credit use error by adding a low-limit, maxed-out credit card to her profile. FICO hates that and punishes her score accordingly. Ironically, the guy in line behind her goes and does the very same thing. No zapping. FICO likes the new card in his profile. Go figure.

Then there's the couple so protective of their credit scores they use only two cards, and paid off both vehicles early, clearly demonstrating they take credit seriously. Only problem is: Zap!

Did you just receive a zero percent credit card and want to save money on interest payments by transferring your outstanding balances? Zap!

Do you like to rack up frequent flyer points by using



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your American Express card instead of the other three cards in your purse? Zap!

In my experience with millions of credit files, at least seven out of every ten individuals are using credit in ways that needlessly lower the credit score without even realizing it. Some people have too many credit cards and others not enough. Some have credit balances too high, and others not high enough. So 70 percent of your applicants will attempt qualifying using scores infected with credit use errors.

Back to the matter at hand, building referrals and the system I promised that will develop your dedicated army of power referrers. As a copier salesman, I consistently generated referrals because the prospect felt that if he hadn't worked with me, he would have lost out. It didn't matter the size of the account or company, my process was always the same. I'd begin by questioning not just the decision maker but also other people who would use the copier. During demonstrations, I would bring in a machine, set it up and help people do their copying efficiently on the new system. I also used doughnuts generously. After the sale, I would drop in, (with more donuts), and ensure they were happy. Before I left I would thank the decision maker for the confidence she placed in me and ensure that I would provide the same level of support to anyone she referred. She did refer me. because my sales process was different and memorable. You have a much better referral generating opportunity with credit proofreading.

To offer credit proofreading you'll need software that automatically detects any hint of "data" and/or "usage" errors within a credit profile. Without any input from you, the software diligently scans, or proofreads, an applicant's entire credit profile each time you order a credit report. Proofreading results are neatly categorized by the type of error detected, with credit usage errors separated from the data errors. Once detected, these proofreading tools tell you exactly how to fix the errors and how many more points you will gain by doing so. With the help of a credit reporting agency with solid rescoring experience, you can translate your proofreading results into higher credit scores in just three days.

I must make a distinction between closing the loan and generating referrals. Yes, obviously credit proofreading will help you legitimately raise scores and close more loans, but that is the subject of another article entirely. We are talking referrals here, and discussing a system for generating them consistently and in high numbers. When you position credit proofreading in a way that presents you as a qualifying

expert, you are moving down the referral runway. Take it the next step and demonstrate that you can improve credit health in just days and have the technology to back it up; soon you will have a high-flying, referral generating system.

You are rewarded with streams of referrals when your sales process consistently makes clients feel favored, respected and important. Credit proofreading performs this beautifully because it positions you as an expert advisor in a financial area of your applicant's life in which he or she understands very little. True, people understand that high credit scores mean saving money on interest and down payment amounts. What are the multitude of factors used to generate these credit scores? I do not have a clue. And customers have no inkling that improper credit use or bad data may be mucking up their credit scores; that is until they work with you.

The hidden strength in the credit proofreading strategy, as a referral building system, is that it works equally well with both your qualifying and non-qualifying applicants. Regardless, when you review the errors in a credit file, the points lost as a result, and how you can recapture those points in just three days, you've just become their financial advocate. Even in the unlikely event that proofreading finds no errors, simply pointing out that you've detected a clean credit profile works well. People are concerned with every detail of their financial life and their personal credit profile becomes the one financial area in which only you can help. Whether a loan materializes or not, every applicant leaves your office knowing you possess the tools and expertise to ensure their optimal credit health. Since healthier credit profiles often mean higher credit scores, your customers will go out of their way to send you their friends and family members as referrals.

So, the next time you qualify an applicant for a mortgage loan, pause and think about transforming him or her into your next power referrer. Take a moment to discuss the credit proofreading results and why they are important to your applicant's financial well being. Might someone pay too much for a mortgage because of an unhealthy credit profile? Not on your watch.

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