

**Source 1 Mortgage  
Marketing Plan**

Fiscal Year of 2004  
Presented on 4.26.04

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**Executive Summary**

# Executive Summary

## **Source 1 Mortgage — Service is number 1**

Service is the main focus at Source 1 Mortgage, a wholly owned mortgage brokerage located in DeKalb County, IL. As a mortgage broker, Source 1 has the freedom to meet each client's home loan needs — they don't have to worry about what is best for an individual bank. Instead Source 1 pools home loan resources from many different investors. This gives Source 1 the ability to focus on providing each customer with an individualized experience. With numerous loan programs at their disposal, Source 1 can offer a customized home loan that will meet the lending needs of their customers.

## **Welcome to the neighborhood**

Because the owners and employees of Source 1 Mortgage work where they live, they have a sincere interest in the DeKalb County community. Source 1 firmly believes that each new client is so much more than a customer. They believe that each client is a new addition to their personal community and possibly a new friend and neighbor. It is that belief that will make Source 1 customers feel like valued new members of a community rather than file folders.

## **The Source 1 lifestyle**

Source 1 Mortgage believes that everyone deserves to have a place to call home. Owning your own home adds a sense of accomplishment, control and security to your life. This kind of lifestyle is what Source 1 hopes to provide to each of their customers by helping them become new homeowners.

## **It's not just about homeownership — It's also about life ownership**

For clients who already own their own home, Source 1 Mortgage will still be there to help them with other needs, such as home equity loans for remodeling. They can also help customers lower their monthly payments or consolidate debt by refinancing their current home loans. Source 1 wants people to see them as a company that gives them choices that will ultimately give them true control and life ownership.

## **Realtor and new home builder relations**

Source 1 Mortgage understands that financing alone doesn't make homeownership a reality. Clients will also need someone to help them find or build their dream home. That's why Source 1 works hard at creating and maintaining strategic partnerships with area real estate offices and new home developers. Source 1 recognizes that realtors and builders are key to helping drive the mortgage business.

## **Situation Analysis**

## Situation Analysis

Source 1 Mortgage is focused on service and provides customers with a high-level of expertise and experience. Currently they offer five types of lending options:

- Conventional loans
- Government loans — Veteran’s Administration (VA) and Federal Housing Authority (FHA)
- B/C or Sub-prime loans
- Investment property loans
- Refinancing

In the coming year, Source 1 plans to add two more home loan product lines:

- Home Equity Lines of Credit (HELOC)
- New construction loans

By adding these new product lines, Source 1 feels that they will be able to service a larger market of customers with customized home loans.

Source 1 also plans on expanding its workforce by adding on new home loan consultants to its office in order to gain a greater market share.

## Situation Analysis

### **Market Summary**

Source 1 Mortgage, a mortgage broker in DeKalb County, IL, focuses on writing individualized home loans for the people of the community and its surrounding areas. Most customers of Source 1 are planning to move to the DeKalb County area or already live in DeKalb County.

Area realtor and new home builders recommendation is key to driving Source 1's home loan business. It is estimated that 70% of Source 1's clients come to them through realtor and builder referrals. Repeat customers and word of mouth account for the remaining 30% of customers.

# Situation Analysis

## Market Demographics

There are three main segments in Source 1 Mortgage's target market:

- First time homebuyers
- Current homeowners
- Renters

These three segments share the following demographics:

- 22-45 years of age
- Race is predominantly white or Hispanic
- Live in DeKalb County or surrounding areas
- Average education is high school graduate with some college
- Substantial debt to income ratio
- Equal numbers of female and male customers
- Income varies throughout the segments

People in the renters segment tend to believe that buying a home is more costly than renting and that they can not afford to make a home purchase. Customers in the renters segment also have minimal or no funds available for a down payment.

# Situation Analysis

## Market Needs

In addition to Source 1 Mortgage's current offerings, customers have also indicated a need for the following services and/or product lines:

- Home equity lines of credit (HELOC)
- Debt consolidation
- Low or no down payment programs
- Investment property loans
- Home loan options that work with bankruptcy and/or bad credit
- New construction loans — for both building phase and permanent financing
- Financial planning services

# Situation Analysis

## Market Trends

Source 1 Mortgage stands to benefit from the following market trends:

- Lower home prices are causing an influx of potential home buying to the DeKalb County area
- Lower interest rates are making it affordable for more people to purchase a home
- Large number of Hispanic people moving to the DeKalb County area
- Farmers are selling off large portions of their farm land to new home developers

The following trends pose challenges to Source 1:

- Low or no down payment needs
- Large numbers of people with no or bad credit
- Competition in the mortgage business is steadily increasing as more and more lenders open their doors
- Internet based lending is starting to be a major competitor
- Many out of town builders are bringing in out of town lenders

## Situation Analysis

### **Market Growth**

With interest rates at a twenty year low and home prices in the DeKalb County area significantly lower than other areas, the home loan business has grown substantially in the last year. The market has seen a particular increase in Hispanic homebuyers. Most Hispanic customers in the area require or are more comfortable with a Spanish speaking home loan consultant. Source 1 Mortgage has addressed this issue by hiring a Spanish speaking home loan consultant and by partnering with Spanish speaking realtors in the area.

## Situation Analysis

### **SWOT Analysis**

The SWOT Analysis contains the strengths, weaknesses, opportunities and threats of Source 1 Mortgage. Through the SWOT analysis, Source 1 discovered that many of their weaknesses can be eliminated with minimal effort. The SWOT analysis also shows that Source 1's largest areas for growth are creating a presence on the internet and the development of a new, strong brand identity.

# Situation Analysis

## Strengths

- Source 1 Mortgage has a good reputation with area realtors
  - They view Source 1 as trustworthy, friendly and reliable
- Source 1 has the ability to not only get the job done, but the ability to get it done quickly and correctly
- Average turn time on a loan is ten days (Quicker than average for the industry)
- Experienced professional staff
- New office location offers leverage and high visibility with realtors
- Source 1 has comparable products/services to larger corporate lenders
- Every loan is different and Source 1 treats it as such
  - Each loan is customized to the customer's specific needs
- Source 1 has a Spanish speaking home loan consultant that can better assist Hispanic customers
- Home loan consultants are willing to take the extra time to explain the home loan process to their customers step by step, if necessary
- Home loan consultants are honest and straightforward with their customers
- Low overhead costs

# Situation Analysis

## Weaknesses

- Source 1 Mortgage offers slightly higher interest rates than key competitors
- Source 1 is a small organization that is competing directly with larger institutions
- No brand equity
- Brand confusion
- No HELOC capabilities as of yet
- Lack of staff resources
- No prior marketing plan in place
- No graphic standards for brand
- Office space is currently too small
- No web presence
- No one knows who owns Source 1
  - They do not realize that it is owned locally
- Low involvement with area new home builders

# Situation Analysis

## Opportunities

- Develop a new logo, brand and corporate graphic standards
  - Build brand equity through consistency
- Source 1 Mortgage plans to move to a new office location
  - Located above the DeKalb Area Association of Realtors headquarters
  - Great opportunity for networking with area realtors
- Build and maintain strategic partnerships with local real estate offices
- Community service and speaking engagements to make the Source 1 brand more visible in the community
- Strategic partnership with reputable institutions in order to do HELOC's
- Offer HELOC's on every home loan as an upsell
- Have home loan consultants get series six and series sixty-five licensing
  - Allows Source 1 to offer financial planning services in addition to home loans
- Expansion of staff
- Creating a comprehensive web site to build up online presence
- Partner with local realtors online and have links to [www.source1mortgage.com](http://www.source1mortgage.com) on key real estate office web sites
- Offer preferred real estate offices a link on [www.source1mortgage.com](http://www.source1mortgage.com)
- Strategic partnership with reputable institutions in order to do new construction loans
- Advertising to generate brand awareness
- Differentiate Source 1 from other mortgage brokers and other lenders

# Situation Analysis

## Threats

- Other local institutions that offer a lower interest rate could sway realtor loyalty
- New lenders coming into town
  - Taking away market share from Source 1 Mortgage
- Impending loan officer state licensing
  - Training will take time away from lead generation
  - Licensing could turn out to be costly
  - Home loan consultants could not work until the licensing test is passed
- Internet based loan companies are becoming more popular with consumers
  - Lending Tree and DiTech are examples
- Consumers could view Source 1 as the riskier choice when compared with other, larger institutions
- Unethical practices by other mortgage brokers could cause consumers not to trust Source 1 because they are also a broker

## Competition

Competition is fierce in the mortgage industry. Consumers have many different lenders to choose from when shopping for a home loan. Extremely low interest rates has encouraged several new competitors to enter the market. The market is flooded with lenders and consumers feel that they have too many choices and not enough time to find the lender that is right for them. They are relying heavily on realtor or friend/family recommendations to help them make a lender choice.

Source 1 Mortgage has four main categories of competitors. Those competitors are local banks, other mortgage brokers, direct lenders and online lenders/brokers. Below is a break down of the specific competitors of each category:

- Local banks
  - National Bank & Trust
  - American National Bank
  - Castle Bank
  - Fifth Third Bank
  - Associated Bank
  - National City Bank
  - Old Second Bank
  
- Other mortgage brokers
  - Simplicity
  - State Street Mortgage
  - American Mortgage
  - Pat Herman Mortgage
  
- Direct lenders
  - Countrywide Home Loans
  - Wells Fargo
  
- Online lenders/brokers
  - DiTech.com
  - Lending Tree
  - Ameriquest

# Services

## Current Offerings

Source 1 Mortgage currently offers a variety of home loan product lines and services. Below is a brief explanation of each.

- Conventional home loans
  - Traditional mortgage programs
  - Requires a 620 credit score or higher
  - Minimum down payment of 0-5% of home value
  - Bankruptcies must be discharged for four years
  
- Government home loans
  - Two types:
    - Veteran's Administration (VA)
    - Federal Housing Authority (FHA)
  - Not credit score driven
  - Bankruptcies must be discharged for two years
  - Minimum down payment of 0-3% of home value
  - Can use alternate credit resources (rent, utility payments, etc.)
  
- B/C or Sub-prime home loans
  - Ideal for credit scores below 620
  - Require a minimum credit score of 500
  - Minimum down payment of 0-20% of home value
  - Bankruptcies must be discharged for twenty-four hours
  
- Investment loans
  - Similar to a conventional home loan
  - Requires a 600 credit score or higher
  - Minimum down payment of 5-20% of home value
  - Bankruptcies must be discharged for four years

## Services

### Offering to be Added

Source 1 Mortgage plans to add two more types of home loan product lines and services. Below is a brief explanation of each.

- HELOC
  - Stands for home equity line of credit
  - Requires a 600 credit score or higher
  - Typical loan to value ratio is 20%
  - Bankruptcies must be discharged for four years
  
- New construction home loans
  - Two closes required
    - First close is typically an adjustable rate mortgage
      - Money is dispersed in monthly intervals throughout the construction process
    - Second close is typically any conventional loan product

## Keys to Success

Source 1 Mortgage recognizes that the following activities are key to their business success in the coming year:

- Build and maintain strong business relationships with local realtors
- Build and maintain a positive community image
  - Position Source 1 as a valuable part of the DeKalb County community
- Continue good, consistent customer service
- Creating and building of the Source 1 brand
- Moving to the new, larger office space
- Expanding home loan consultant staff
- Establishing and maintaining business relationships with new home developers

## Critical Issues

Source 1 Mortgage recognizes that the following issues must be continuously addressed in order for the company to succeed. Source 1 must:

- Continue to create and build strategic partnerships with area real estate offices
- Create and maintain a core group of satisfied customers
  - Current customer retention is less costly, than new customer acquisition
  - Satisfied current customers are more likely to return and/or recommend Source 1 to their friends/family
- Create and build awareness for a new brand identity
  - Build equity for brand through consistency
  - A strong, recognizable brand will help Source 1 differentiate themselves in a market that is overcrowded with competitors
  - Consumers will feel that Source 1 is less risky as a choice if their brand is recommended and recognized
- Create and build an online presence
  - An online presence through a comprehensive web site makes Source 1 more accessible to their key targets
  - A strong online presence communicates dominance and forward in the mortgage industry to key targets and to competitors
- Position themselves as an important part of the community
  - Employees live where they work, which means they have a sincere interest in the DeKalb County community
  - Source 1 employees must be good corporate citizens of the DeKalb county community and give back to that community through service and educational seminars for the general public
- Maintain their business integrity for ethical business practices by continuing to do what is best for the customer at all times

## Historical Results

Source 1 Mortgage is a fairly new business and does not have historical information to look back on from previous years. Because of this, the following chart represents the total amounts of mortgages (in dollars) closed by the three individual home loan consultants for the 2003 year before coming together to form Source 1.

	<b>A</b>	<b>B</b>	<b>C</b>
<b>Total closing amount (in dollars)</b>	\$10 million	\$10 million	\$8 million
<b>Total revenue generated (after commissions)</b>	\$12,500	\$12,500	\$10,000
<b>Market share</b>	0%	0%	0%
<b>Marketing expenses</b>	\$1,000	\$1,000	\$0

## Macroenvironment

Although low interest rates dominate the mortgage industry at this time, Source 1 Mortgage is choosing not to “play the rate game” with their competitors. Competitors advertise low interest rates as if they are available to everyone who applies for a home loan. Source 1 recognizes that the majority of their target market does not qualify for the lowest rates available. Instead of focusing on low rates as their key selling point, Source 1 has chosen to focus on individualizing the home loan process to each customer’s unique needs.

Source 1 has also chosen to focus on providing exceptional, professional service to each of their clients. Their home loan consultants are willing to take extra measures to make sure that the customer understands their home loan. Source 1 wants to insure that all of their customers get satisfactory answers to all of their mortgage questions while getting the best loan possible for their individual needs.

The DeKalb County area has seen a significant population boom because of less expensive housing prices. The largest demographic of the population growth consists of Hispanic people. Source 1 is insuring that they can service this large, new Hispanic market by having a Spanish speaking home loan consultant on staff.



# Marketing Strategy

## Service is number 1

Source 1 Mortgage's primary strategy is service. The tagline, "Service is number 1", will be used to communicate that position to their targets. Source 1's service strategy has several different levels of execution. Those levels are listed below.

- Service to customers
  - Providing customers with honest, straightforward advice
  - Educating customers about the home loan process
  - Customizing each loan to meet the needs of each customer
  
- Service to real estate offices and builders
  - Semiotic relationships
    - Source 1, realtors and builders refer each other to increase each other's business
  - More pre-approvals from Source 1 mean that realtors and builders will sell more homes
  
- Service to the community
  - Employees of Source 1 work where they live, so they have a genuine interest in the DeKalb County area
  - Source 1 sees their customers as new additions to their community
    - New friends and neighbors — not file folders
  - Community service through educational seminars for the public
  - Writing educational/informational articles for local newspapers concerning home loan and homeowner interest topics
  - Donating time and/or materials to the community
    - Such as providing new scoreboards to area high school athletic departments or donating time to the Meals on Wheels program

## **Mission**

Source 1 Mortgage defines their mission statement as, "Turning customers into new friends and neighbors through service and expertise." This mission statement is designed to convey the message that Source 1 is a part of the community that they work in as well as communicating their focus on exceptional service.

## Marketing Objectives

The following is a list of key marketing objectives that Source 1 Mortgage wishes to work on this year. Source 1 wants to:

- Establish themselves as an important part of the DeKalb County community
- Create name and brand recognition and awareness with their targets
- Become the home lender of choice for realtor/builder recommendation
- Become the home lender of choice for area consumers
- Generate repeat business from existing and past customers
- Have their existing and past customers recommend them to friends and family

## Financial Objectives

Source 1 Mortgage has three main financial objective for the year of 2004, which are listed below.

- Source 1 would like to have office closings total at least \$30 million for the year
- Source 1's goal is to have at least a 90% gross margin
- Source 1 would like to have a net income profit of at least 0.25% of sales after commissions and other expenses are paid
  - 0.25% (target net income profit) of \$30 million (target closing) equals \$75,000

# Target Markets

## **Business to Consumer (B2C) Target Markets**

Source 1 Mortgage has four segments to their B2C target markets. Those segments are:

- First time buyers
- Current homeowners
- Current renters
- Investors

## **Business to Business (B2B) Target Markets**

Source 1 Mortgage has three segments to their B2B target markets. Those segments are:

- Real estate offices
  - Referrals from realtors are key to driving business
- New home developers/builders
  - There is a large amount of new home construction going on in the DeKalb County and surrounding areas
  - Referrals from new home developers/builders can greatly increase business for Source 1
- Other area lenders
  - When another area lender can not provide a customer with financing, Source 1 can most likely get the loan done because they have more lending options and product lines than most area lenders

## Positioning

Source 1 Mortgage wants to position themselves as an honest, straightforward lender who will assist in making the home loan process easier through service and expertise. They also want to be recognized as a valuable part of the community by employing members of the community, who will have a direct interest in the area's development and growth. Source 1 furthers their position as a part of the community by welcoming customers as new friends and neighbors. Source 1 will leverage their position as community leaders by giving back to their community through time and monetary contributions that will help make DeKalb County a better place to live.

Unique to the industry, Source 1 has chosen not to focus on low interest rates as a key selling point. Instead their industry position will communicate the customer centric and highly customized home loans of Source 1 as a lifestyle choice, rather than a commodity.

## Services Offered

### Price

In the mortgage industry price is reflected in variable interest rates that change on a daily basis. Source 1 Mortgage offers rates that on the average are slightly higher than most of their competitors. Rather than making interest rates a focus to their business, Source 1 focuses on the value a customer receives when they are matched with a home loan program that meets their lending needs.

## Services Offered

### **Promotion**

Source 1 Mortgage intends on promoting themselves within the community by writing home loan and homeowner interest topic articles for local newspapers and by speaking at home loan seminars in the community. They will also rely on word of mouth from customer, realtor and builder referrals and repeat customer business.

A huge area of promotion deals with the development of a web site to create an online presence. An online presence insures that Source 1's targets can access important information about the company 24 hours a day, 7 days a week, 365 days a year.

Mortgages are not everyday purchases. It is hard to catch your customers when they are ready to make a purchase. Typically, they are in and out of the market before you even have a chance to react. That's why Source 1 plans on running a consistency advertising campaign on area radio stations and in key area publications. By always being in the same media vehicles and in the same placement in those vehicles, the Source 1 name will be there when people are ready to make a home loan decision.

## Services Offered

### Service

Source 1 Mortgage focuses on four main areas of service:

- Source 1 is friendly and approachable
- Home loan consultants take time to explain the loan process and answer any questions the client may have about their home loan
- Home loan consultants offer honest, straightforward advice
- Source 1 welcomes new customers to the community as new friends and neighbors

## Marketing Research

Source 1 Mortgage will focus research efforts on finding out what drives realtor and builder loyalty. Loyalty is key in getting referrals from these two groups. Source 1 will also focus on retaining current customers. They will also try to determine what current and past customers value most about a lender and why they chose Source 1. Surveys for current and past customers are planned, as well as, surveys for area real estate offices and builders.

## Financials

## Break Even Analysis

Total monthly expenses (not including commissions paid) = \$7,000

Depending on current interest rates and fees, Source 1 Mortgage needs to write \$300,000 to \$750,000 worth of home loans in order to break even for each month or a total of \$3.6 million to \$9 million worth of home loans for the year.

## Sales Forecast

Total monthly expenses (not including commissions paid) = \$7,000

Depending on current interest rates and fees, Source 1 Mortgage needs to write \$300,000 to \$750,000 worth of home loans in order to break even for each month or a total of \$3.6 million to \$9 million worth of home loans for the year.

### Projected Total Closings Per Month

<b>April 2003</b>	\$2 million
<b>May</b>	\$3 million
<b>June</b>	\$5 million
<b>July</b>	\$5 million
<b>August</b>	\$3 million
<b>September</b>	\$3 million
<b>October</b>	\$2 million
<b>November</b>	\$2 million
<b>December</b>	\$1 million
<b>January 2004</b>	\$1 million
<b>February</b>	\$1 million
<b>March</b>	\$2 million

**Source**1  
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