Why Sales Training Doesn't Work—and What Does

BY PATRICIA M. SHERLOCK

THE MORTGAGE INDUSTRY IS IN A CONSTANT STATE OF UPHEAVAL, and the list of yesterday's superstar companies that no longer exist is unfortunately quite long. The mantra "We must be competitive" is repeated every day by sales and branch managers striving to meet or exceed their production goals. ■ Increasingly, management is recognizing sales training as a crucial part of having a competitive edge. Firms have invested thousands of dollars in sales training for their loan producers, yet when sales training is judged by the cold light of industry performance standards (such as customer loyalty or originator turnover) the facts suggest it has been a failure.

There are some basic rules for how to make loan originator training effective. First, don't leave the branches in charge of whether it gets done. Second, don't lecture like a fourth-grade teacher.

Why sales training hasn't been effective

In a recent survey of training and sales managers from 10 of the top 100 mortgage firms, conducted in December 2001/January 2002 by QFS Consulting Group, Medford, New Jersey, the following reasons for sales training's failure were cited:

■ ***The boom-and-bust nature of the mortgage industry.*** When money is available, there's no time; when time is plentiful, there's no money—by far the most frequently mentioned reason.

■ ***Managers don't have a mental map for supporting training.*** Because many managers grew up in the industry and are self-taught, they believe that the sink-or-swim approach is the right way.

■ ***Corporate managers have delegated to branch managers the decision and responsibility to train.*** Having local authority over training becomes a self-fulfilling prophecy that largely guarantees an inconsistent training effort. The practice raises the question: Would a company let a local manager hedge its pipeline? The answer is definitely not—because hedging is perceived as too important—yet local branch managers are left to determine if and when training will be received by producers.

■ ***Lack of measurement standards.*** If something is not measured, mortgage managers typically assign no value to it. The mortgage industry counts pennies to make a profit and is unwilling to invest in activities that generate poor or no results. Sales training is often positioned as requiring a leap of faith—an uncomfortable position for managers to be in.

Typical sales training approaches

Mortgage companies' sales training usually takes one or more of the following approaches:

■ ***Informational training*** is designed to show the originator how to master the company's internal methods, including computer systems and mortgage programs. Informational training is also used to bring current data and new developments at the mortgage company or in the industry to the attention of originators. This kind of training is certainly a necessary method of communication, but the problem arises when it becomes the primary method of sales training.

■ **O*n-the-job training*** embodies the sink-or-swim philosophy. This approach is dependent on one employee, someone who might be a great originator, but often is a poor trainer. On-the-job training is a euphemism for giving no training at all under the justification of "the cream will rise to the top."

■ ***"Let's motivate the originators"*** are training sessions that take the form of one- or two-day meetings, often conducted by outside experts, which are motivational in format. Classes are given to all producers regardless of performance levels. This approach is bound to be ineffective, because it does not change the underlying behavioral patterns that are causing unsatisfactory results in underperforming originators. What's more, it is tedious and dull for performing originators. Often, the underlying reason this type of training misses the mark is it is very difficult to motivate others on an ongoing basis—self-motivation is the secret and it is the responsibility of each person.

Factors behind poor sales results

Poor sales results are a function of the following:

■ An originator has learned or adopted behaviors that do not build credible customer relationships. These behaviors are caused by conflicting company policies, procedures, practices and processes; and/or

■ An originator has a lack of core competency that results in not having the personality characteristics or other traits needed to succeed at relationship selling.

Often, originators with poor sales skills have learned them from a company's environment. This can occur when the sales policies, procedures, practices and processes—a company's culture—do not support or reward customer and employee relationship-building.

A "message" dichotomy arises when a company is sending two different messages to its customers and employees. Take, for example, when the talk is relationship-oriented, but the company's actions are all transactional. Or, when a company maintains borrowers are important, yet the company's loan processes require customers to jump through one hoop after another. In such cases, the real message being sent is not customer-friendly at all. Similarly, conflicting messages are sent when a company maintains employees are key to its success yet it reformats compensation because originators are perceived as making too much. Or another example of contradictory signals is when at the first sign of a slowdown a company, touting itself as employee-friendly, lays off a substantial number of employees.

In a larger framework, the message dichotomy is evident in the mortgage industry's low customer retention numbers (25 percent, according to Milwaukee-based Mortgage Guaranty Insurance Corporation [MGIC]—see MGIC President and Chief Executive Officer Curt Culver's Executive Suite column in the March 2001 issue of Mortgage Banking) and by industry acceptance of high turnover in mortgage sales positions (more than 50 percent at most mortgage companies, according to my mortgage company clients). The end result of this message dichotomy is an endless cycle of a transactional approach to the origination business.

The other side of the equation that causes poor sales performance is a lack of the core characteristics linked to successful relationship selling. In writing Reaching the Top of Your Game (© 2001) for the Mortgage Bankers Association of America (MBA), I interviewed the top producers at the top 100 mortgage companies and analyzed their habits and sales techniques. From that research, it became clear successful top producers had long histories of being successful; had personality traits that accounted for their success; and had a business-service model based on extraordinary service levels.

My research found the factors having no correlation to success were gender, education level and previous mortgage sales experience. Top producers are masters at relationship-building, developing a plan of action and selecting a service strategy that best fits their strengths.

At the core of a top producer's success is specific personality characteristics. (For more information on the traits and hiring strategies, see my May 2001 Mortgage Banking article, "The Secret to Hiring Good Originators.")

What works in sales training

From profiling top producers, I have found there are three fundamentals to establishing effective sales training.

1. Hire right vs. manage hard.

The core building block for an effective sales training program is hiring individuals with personality traits suited for relationship selling (see Figure 1). There is no sales training program that can improve loan producers who are not right for the job in the first place. On the other hand, if the loan producer has innate relationship-selling ability, he or she can be taught the mortgage business and a sales system that works.

2. Sales training is not an isolated event, but a process.

Sales training is an investment requiring both money and time. If real estate selling is about location, training is about time—it takes time to train and time to see the results.

As Andy Hubbard, national training director for Irwin Mortgage Corporation, Indianapolis, says, "A moderate commitment to training over a long period of time will show significant results versus a large commitment that is quickly abandoned." The "spray-and-pray" method does not work and is a poor investment choice.

Sales training that is an isolated, one-time affair rarely produces results or has any long-term impact on the sales staff. Event sales training is like trying to lose 20 pounds in one day—it's a nice idea, but realistically it is not going to happen.

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An example of the process approach to sales training is a curriculum targeted to new loan producers used at HomeBanc Mortgage Corporation, Atlanta. HomeBanc starts its loan officers in a rigorous program once they join the firm (see sidebar).

3. Coordinated policies that are relationship sales-building.

Policies and processes need to support originators, because they are the front-line contacts with consumers representing your mortgage company. The originator must have backing from all parts of the company in order to deliver a positive experience to the customer.

In recent years, the loan processing side of origination has been emphasized and relationship-building skills essentially have been downgraded. An underlying reason for the shift has been technology advancements made at the back end of the business. The decisioning and underwriting systems used by many lenders today have changed the operational side of the mortgage industry, but according to top producers interviewed in Reaching the Top of Your Game, they have not really helped the loan producer in forming relationships with borrowers.

As a result, sales training has increasingly been defined in terms of showing producers how to operate the laptop and not on how to build trust and rapport with a borrower. In my view, it is this emphasis on the technology at the expense of the relationship that has failed to turn more customers into loyal borrowers for mortgage companies.

Figure 1 — **The Sales Staff Dilemma: Does Your Sales Staff Look Like This?**

10%	Top performers
30%	Meet goals
45%	Underperformers
15%	Voluntary/Involuntary mismatches

Source: QFS Consulting Group

Continuing education

After initial sales training has been given to new originators, the company should provide another form of training addressing specific originator needs. Typically, these needs fall into two categories:

- For originators whose results are unsatisfactory due to problems in the following areas: failure at relationship-building at the point of sale and with referral sources, lack of planning, goal setting and poor time-management skills and ineffective follow-up account management.
- And for those originators who are succeeding and want help moving to the next level.

Underperforming producers should receive sales training that targets their particular shortcomings. Often, the source of difficulty is they haven't set up a proper business model or sales system. My research shows top producers operate under a business model that matches their strengths. Sales training can play an important role in turning around underperforming employees—if it is customized and systematic. These kinds of classes must be small and trainers must have high interaction with their students.

"[Successful] originators will normally address their issues themselves, and do not need their company to provide sales training," says Eugene H. Gaulin, senior vice president at BB&T Mortgage, Wilson, North Carolina. He adds, "the group that must be addressed by a mortgage company is the underperforming originators."

Sales training instruction

Teaching adults is significantly different from teaching adolescents. Yet many sales-training efforts are delivered in the same way that students are taught in grammar school or high school. The trainer as a lecturer transmitting information to students is too often the norm at mortgage companies.

"Telling is not teaching," says Michele Thompson, director of customer education group at Fannie Mae. "Training that works is centered on the student's needs."

The trainer as lecturer also has limited success, because adults have prior experience—either negative or positive—that they bring to a learning program. Because of their life

One company's formula

TRAINING HAS ALWAYS BEEN ONE OF THE KEYS TO ATLANTA-BASED HomeBanc Mortgage Corporation's success. In his early days as leader of the company, HomeBanc Chairman and Chief Executive Officer Patrick S. Flood led the training classes, insisting they start at 7 a.m. Flood says, "Training is essential for success in mortgage banking . . . by investing in our rookie loan officers, we signal to them that we take their success seriously. Discipline also is crucial. By starting our classes early, that's sending the initial signal to our rookies that HomeBanc is not a place to be 'average.'"

HomeBanc continues this tradition of training under Nick Mantia, vice president and director of training. Today, HomeBanc has one of the most productive sales forces in mortgage banking. Its loan officers averaged $20.3 million in dollar volume in 2001—67 percent of its volume was purchase money in a year in which there were heavy refis—and according to *Mortgage Originator,* HomeBanc had 6.5 percent (dollar volume) of the top 200 originators nationwide and 10.5 percent (units) of the top 200 originators nationwide. And HomeBanc has achieved national volume rankings (it is the 27th-largest retail lender and the sixth-largest online lender as of third-quarter 2001, according to *National Mortgage News*) while only operating in Georgia and Florida.

One of HomeBanc's most successful sales training programs is its professional sales development (PSD) course, a seven-week, 10- to 12-hour-per-day program for rookie loan officers. In the PSD course, loan officer candidates learn the basics of mortgage banking—including underwriting and prequalification for conventional, Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans.

The rookies learn about HomeBanc's loan products and processes, sales skills, time management and public speaking. They get a laptop and learn to take applications on the computer, pull credit and use Freddie Mac's Loan Prospector® (LP) and Fannie Mae's Desktop Underwriter® (DU) at the point of sale.

Rookies have daily homework and tests, a midterm exam and three days of final exams. They spend field time shadowing mentors. Not all graduate, however—some are released from the program because of poor performance, attitude or discipline issues.

"PSD is like four years of college, Army boot camp and summer camp all rolled into one," says Mantia.

Graduates average more than $8.4 million in their first 12 months in the business. Many qualify for HomeBanc's Achievers Club (a minimum of $20 million per year in loans) by their second year in the business. In addition, since 2000 the retention rate for loan officers has been 86 percent.

A monthly experienced loan officer orientation class is provided for originators who come to HomeBanc from other mortgage companies. The course is one week long and focuses on showing the originator how to use the laptop computer and familiarizing him or her with HomeBanc's products, procedures and company culture.

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experiences, adults must be trained in a manner that incorporates the following four core teaching guidelines:

1. MAKE LEARNING PRACTICAL AND PERSONAL.

Adults are more likely to learn if they are receiving the information they need when they need it. Information that they need should link back to the requirements necessary for success in the position and should provide them with the appropriate skill training. A training problem often starts with a misunderstanding about what makes a successful loan producer due to mapping out incorrect requirements in the sales job description. In reviewing originator job descriptions, requirements often focus on the operational side of the position, with the selling skills a distant second. How practical is training that doesn't show the originator how to build a customer relationship—one of the building blocks to being a successful originator?

2. GROUND SALES TRAINING IN THE FAMILIAR AND RECOGNIZE THERE ARE DIFFERENT LEARNING STYLES.

Adult training is hampered by the reality that as a student grows older, "the brain gets rigid, because we have a much more elaborate structure for information storage," says David Dinklage, chief of neuropsychology at Cambridge Hospital, Cambridge, Massachusetts. "In psychological studies, literally, adult subjects didn't hear the contradictory information because their brains didn't know where to put it."

Because of this fact, effective sales training must ground itself in presenting new information along with the familiar. The best way to do this is through case studies, role playing and other highly interactive methods. The interactive model requires the trainer to be highly skilled and experienced in designing courses for originators. The underlying dynamic is that students teach themselves—the trainer is in the role of a guide to the student through interaction that is positive and reinforcing.

Similarly, all students do not learn in the same way. The Center for Creative Leadership, Greensboro, North Carolina, has identified four styles of learning: active, reflective, advice-seeking and emotional investigation. The challenge that the four styles pose for training is that courses that present information in only one way will not be successful for all students. Trainers need to present material that supports all learning styles. While some students respond to lectures, others need peer interaction and still others need time to reflect.

3. REINFORCE THE NEW LEARNING.

Training courses frequently allow students just one or two days to learn the material and then leave them with no follow-up on what was learned. It is the lack of follow-up or reinforcement that dooms the student to forget or not use the information learned.

Follow-up must be incorporated in the sales training program to assist students through the difficult period of implementing the new information in their day-to-day work. The follow-up does not necessarily have to be in another workshop session, but can be delivered through electronic methods, such as e-mailing the students to determine if they have any issues or needs.

4. Measure results.

At its best, training changes behavioral patterns. At its worst, it can harm performance. Training that is not measured does not receive the scrutiny necessary to determine whether it is effective. Too often, training becomes a leap of faith because trainers have not attempted to establish improvement benchmarks.

The types of measurements trainers can use include unit-and-dollars (units, meaning number of loans originated; and dollars, meaning principal dollar outstanding of loans originated) improvement goals and turnover and/or customer loyalty numbers—whatever is meaningful to the mortgage company. There is no perfect measurement goal, but it is crucial to have a quantifiable performance measure attached to the training program to support the investment dollars made by the company.

Once training results are being measured, trainers should be graded for their performance and rewarded financially through incentives.

What will sales training look like in the future?

Sales training has made great leaps in the past five years. "There are exciting developments in electronic aids to sales training, including a variety of blended-learning enhancements that look promising from a follow-up standpoint," says Debbie Stetson, national manager of performance and development for GMAC Mortgage, Horsham, Pennsylvania.

While technological improvements such as electronic learning show some promise and certainly have a place in training, the next advance in sales training will be the customization and delivering of training matched to each employee's needs. As one-on-one marketing has surpassed mass advertising and as loan pricing is now at the loan level, training that is targeted to fit each employee's needs will be the next big step.

Sales training customization can only occur when companies more effectively screen their originator candidates, identify employees' deficiencies early on and target training specifically to correct the deficiency. For this to happen, mortgage companies must rethink how they currently manage the training expense item and responsibility, and incorporate a more analytical approach to hiring.

Training is too important to be left to a decentralized system of decisionmakers and nonexperts. The mortgage companies that recognize training as a corporate responsibility and a key component of a company's competitive advantage will be the winners in the battle that decides the industry's future stars. MB

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