

Marketing Channels

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George Yacik is a Connecticut-based financial writer with more than 25 years' experience covering the consumer finance industry and the financial markets. George is the author of many high-level industry reports on credit cards, mortgages, home equity loans, payday lending, consumer banking, and personal bankruptcy.

George has been a frequent commentator in the media on consumer credit. He has been interviewed by many local and national media outlets, including the Wall Street Journal, New York Times, CNBC, Newsweek, Bloomberg, Business Week, American Banker, and Washington Post.

Key points

- Divorce lawyers are an overlooked but lucrative channel for originating residential mortgage loans.
- Originations volume from divorce lawyers is strong, consistent and “upward trending,” without the boom-and-bust cycles of relying on real estate agents and homebuilders.
- A Colorado-based management consulting firm helps mortgage firms set up stand-alone sales units and trains loan officers to work exclusively with divorce lawyers. The units produce two to three times as much origination business as an equivalent number of existing reps, the company says.

Divorce is a lucrative business for lawyers – and mortgage originators, too

A Colorado Springs-based management consulting firm has a unique business model that targets what it says is an overlooked but lucrative channel for originating residential mortgage loans that doesn't have the peaks and valleys of relying on real estate brokers and homebuilders.

What's this magic conduit? Divorce lawyers.

Philip Foss, chairman, CEO and founder of OPTIS Group Limited, says there are about 1.3 million family law “occurrences” each year, with about 70% of them involving a division of real estate, namely the marital residence. In all cases holding real property, when one spouse elects to remain in the house they need a new mortgage quickly in order to buy out the equity interest of the other spouse, or when no equity is realized, a new mortgage is needed to remove the vacating party from the current note. Lastly, the third option is that the house will be sold, creating two new potential homebuyers. Curiously, this is the only known “by demand” mortgage transaction as it has been ordered by a Judge. Thus, an urgent and steady need for new mortgage loans within any market.

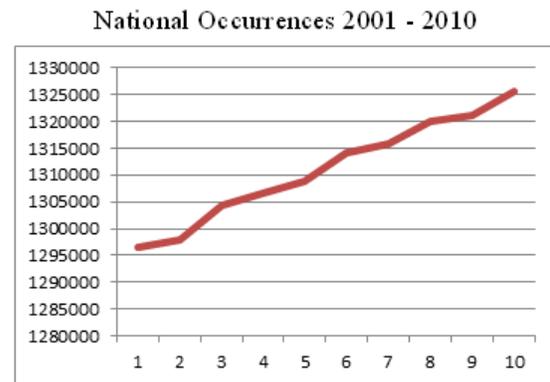


Fig1. National 10 year history of divorce occurrences.
Source: American Bar Association. ©ABA - Q3 2010

The originations flow channeled from divorce lawyers is very consistent and “upward trending,” Foss says, unlike traditional business that relies on real estate sales and refinances, both of which are notoriously cyclical. Yet, “99%” of this market niche is currently ignored by mortgage reps, says Foss, a former senior vice president for mortgages at Washington Mutual.

Mortgage companies who hire OPTIS create a secondary, stand-alone business unit within their company. The unit is staffed by existing loan originators or the company hires additional new reps as needed. Either way, the mortgage reps are trained by OPTIS to work exclusively with local divorce lawyers. OPTIS provides them with a secured database of local divorce lawyers and teaches them how to gain entrée into a lawyer's office that Foss says has a more than 80% success rate. The training includes "changing the loan officer's calling habits, dress code, lexicon etc.," Foss said. "We are heavily invested in escalating the professional attributes of the loan officer."

Foss said the new unit produces two to three times as much origination business as an equivalent number of the mortgage company's existing reps.

So, what's in it for the lawyers? Needless to say, they're not doing this for altruistic reasons. And it's illegal under the Real Estate Settlement Procedures Act (RESPA) for a mortgage company to pay a lawyer, or a real estate agent for that matter, a fee for a loan referral. But Foss says his company provides two valuable solutions to divorce lawyers that they can't find anywhere.

First, prior to a divorce becoming final, lawyers on both sides want to show the judge that all differences, such as the division of the real property, have been settled. Having a mortgage options at the ready helps ensure trial avoidance and a drive toward case settlement. Second, some of the funds from the new mortgage loan can be set aside (as an allowable HUD1 item) to pay the lawyer's bill. Foss noted that 60% of divorce lawyer bills typically are settled with the client at about 50 cents on the dollar; using the OPTIS system the lawyer is more likely to get his bill paid in full.

OPTIS, which has been in business for 12 years, currently engages about 150 mortgage origination clients annually, ranging from the biggest lenders in the industry to small local mortgage brokers. The company charges mortgage lender clients a flat fee for each business unit it constructs.



**Philip R. Foss – Chairman & Chief Executive Officer
Director of National Strategic Alliances**

As the founder, Chairman and CEO of OPTIS Group, LLC. Philip R. Foss is responsible for running all facets of the business. Phil has a proven executive management track record with over 21 years of mortgage banking origination & management experience. Mr. Foss focuses on enterprise-level business model construction and deployment throughout the country's mid-size mortgage companies, leading the marketing and customer strategy practice, and directing sales within customer service go-to-market issues helping our client partners realize higher return-on-market and CRM investments.

Prior to founding OPTIS Group, LLC. Phil had been on both sides of mortgage banking origination and management with Banc One Mortgage & Washington Mutual Mortgage allowing for a comprehensive view and balanced approach to business development. Mr. Foss has been published in various industry specific periodicals as well as in the Denver Business Journal, Seattle Post Intelligencer, and the Kansas City Star, focusing on topics ranging from "Change Management", "Strategic Growth Management", "Sales Platform Training" and a four part "2008 Leadership Series". Phil holds a Masters of Business Administration from the University of Colorado at Denver and obtained his Bachelor of Science in Business Administration-Strategic Management Planning from the University of Washington, Seattle Washington.

OPTIS Group, LLC is headquartered in picturesque Colorado Springs Colorado at the foot of Pikes Peak, where Phil enjoys his two children, plays golf at high altitude, and participates as a volunteer member of the National Ski Patrol, Winter Park CO.

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