After Dodd/Frank – Pump up the Volume!

Increasing Production is the only way to Grow Income – How do you get producing loan originators growing their volume?

In the aftermath of Dodd/Frank and flat compensation plans, originators can no longer look to revenue maximization to increase income. But most loan originators can't break through the 6 to 8 loans a month barrier. With unemployment still a major issue, there couldn't be a better time to hire new individuals into a mentorship program. The problem is how to train those brand new entrants?

NMLS approved training is NOT the Answer

A 20 hour compliance course is not going to teach a new entrant the skills needed to assist a seasoned loan originator. Plus, assistants don't need a licensing course; they aren't originators. They need job skills – which they get through our assistant program.

Today's Assistant is Tomorrow's Loan Originator or Processor

Once the assistant has been on the job for 6 months to 1 year, he or she has already experienced the mortgage industry and knows the business through hands on interface. The assistant may be happy in the role of an assistant, or may be ready to move up to the originator or processing position.

The Assistant Program

Mortgage lenders want to hire experience loan officers. Traditionally, branch managers have been charged with this task – recruiting. Hiring seasoned loan officers in not without risk – good loan officers only leave their existing jobs when the company is falling apart. More frequently they are asked to leave due to unacceptable performance. The long recruiting process can be culminated by the hire of a seasoned, but non-desirable, loan officer who cannot produce or conducts business unethically.

The alternative is training new lenders. The majority of companies have conceded that the effort expended on training new lenders is too great or simply exceeds the resources available. Estimates of the amount of time required to train a new loan officer to proficiency is from 4 months to 2 years. It is financially infeasible to spend that magnitude of resources on the training of production personnel. As a result, for all but a few companies, you cannot get a job as a loan officer without at least 1 or 2 years of experience.

One solution to this experience gap is to have new loan officers intern in the various departments/functions – 6 months in processing, 6 months in closing – and learn the business through this process. This still requires training, but in the less pressure sensitive areas of processing and closing. But this approach can pose a problem in the development of the loan officer as a sales person. There are many people who are very well trained in the business who do not have the ability to sell mortgage products – a smart failure, from a sales perspective.

Understanding the Branch Manager's Paradox

For the senior loan officer, the logical career progression to begin the transition to executive management is by fulfilling the role of the branch manager. As a branch manager your income is augmented by overrides on production of supervised loan officers. In most cases, while the branch manager has additional administrative duties he or she still derives most of his or her income on personal production. The joke goes like this: "What do you call the guy wearing a suit in a tree full of monkeys? Branch Manager." This illustrates the impossible position that the branch manager is expected to fulfill. He or she has GOT to put production into the branch, but recruiting is dicey and new loan officers are not worth the time.

Unfortunately, the people who have the most critical need for a proactive, responsive manager are the ones who try the manager's limited resources the most – new loan officers. New loan officers have a much higher need for on the job product knowledge training, sales management training, and general supervision. In fact, the demands that new loan officers make on their managers often doom them to failure.

One Solution – The Loan Officer Assistant

Loan officers need to be trained as loan officers. Their primary function is to generate new business – so the internship/training program that rotates the new loan officer through the system fails on this level. Who is better qualified to teach this than a seasoned loan officer? A seasoned loan officer can also A mentoring/teaching program pairs an experienced loan officer with a new loan officer. This concept seems so simple, but it is emblematic of the business that many senior loan officers do not embrace it. It involves some planning and acceptance from the company as to who is responsible for recruiting and the overall indoctrination of the junior loan officer.

Compensation Agreements

	Commission Split		Basis Point Sharing	
	Junior	Senior	Mentor	Student
1-3 Months	25	75	50	25
4-6 Months	50	50	40	35
6 -12 Months	75	25	30	45
1-2 Years	90	10	10	65

Several companies are developing pilot programs where a new loan officer partners with a senior loan officer acting as a mentor. One national mortgage company has developed a formalized commission sharing arrangement so that the senior loan officer receives a percentage of the new loan officer's commission – almost like an override. One national net branch company has built its business plan around a Mentor program where new loan officers' sales activities are supervised and net commissions are split.

Mike Femiano started his career over 20 years ago, and has had a trainee or junior loan officer of one type or another during most of that period. After his initial success as a loan officer, he migrated into branch management, but he realized quickly that his investment in time was too great to be offset by the relatively small branch profitability override he received. "I was getting ripped off" he says. "It made me more money to just have one or two junior loan officers, where I got half their commissions, instead of taking on all the responsibilities of the manager." Being a manager was more responsibility than he wanted, and it took away income from where he made the most money – his commissions. He currently has a marketing assistant who helps him with mailings, calling customers, and handling more generic requests from his agents like preparing open house spreadsheets. But he also has a processing assistant to help home with setting up new loan files, conducting pipeline review and handling outstanding customer issues.

<u>Splitting Duties</u>

In addition to a compensation split between junior and senior loan officers, there needs to be a responsibility split. There are always situations where an individual might be better at marketing and another more competent at paperwork, workflow or processing issues. This is an instance where the junior/senior loan officer arrangement can evolve into a longer term job specialization. In either event, duties should be set forth at the outset in the same way that any company would write a job description.

Individual	Marketing Assistant	Processing Assistant
Sales Meetings - Customer or Referral Source	Yes	No
Lead Development, Cold Calling, Mailing	Yes	No
Loan Set Up, Application Documentation Follow Up	No	Yes
Customer Contacts - Administrative	Yes	Yes
Referral Source Contacts	Yes	No
Underwriting, Processing, Closing Contacts	No	Yes
Taking Application	Yes	Yes
Qualifying Applicants	No	Yes
Quoting Interest Rates and Programs	No	No

The real obstruction for the assistant program is that the companies do not support the loan officer in either training or compensating the assistant. SO the loan officer is left to his own devices. He or she can recruit a processor, or a lower producing loan officer – someone who knows the business but needs augmentation on some level – to act as an assistant. To invest in the training of a new loan officer requires the capital that most loan officers don't have.

The Loan Officer Boot Camp is a perfect solution for this need. Normally the course materials – texts, tests and workbooks – can provide enough context by themselves for someone who will be directly supervised. The existing assistant can graduate to a loan originator position through a more intensive sales and product knowledge training curriculum.

Step 1: Basic Skills – the Online Loan Officer Boot Camp

Completing this course of study will allow the new Assistant to understand how the mortgage industry works, how to work a calculator, how to read a rate sheet, how to understand loan programs, what Conforming/FHA/VA are, Qualifying for Credit, Income and Assets, how to complete a cost worksheet, and how to assemble loan application documentation

Step 2: Advanced Skills – the Loan Officer's Practical Guide to Residential Finance

This self-study book is a narrative of the Boot Camp, but includes lessons on Refinancing, Construction Lending, the Secondary market, Federal Compliance, Predatory lending, Ethics, and Fraud

Step 3: Advanced Skills – The Loan Officer's Practical Guide to Marketing

This workbook allows the assistant to learn the loan officer's marketing job, understand the importance of value added services and how to provide them; there are detailed instructions for prospect mailings, agent marketing, open houses, referral networking, financial intermediary marketing, and managing a pipeline. The Workbook includes hundreds of forms, flyers, letters and spreadsheets.

Step 4: Graduating to Mortgage Loan Officer

With our partnerships with the major training vendors, receive a credit towards the assistant's pre-licensing education.