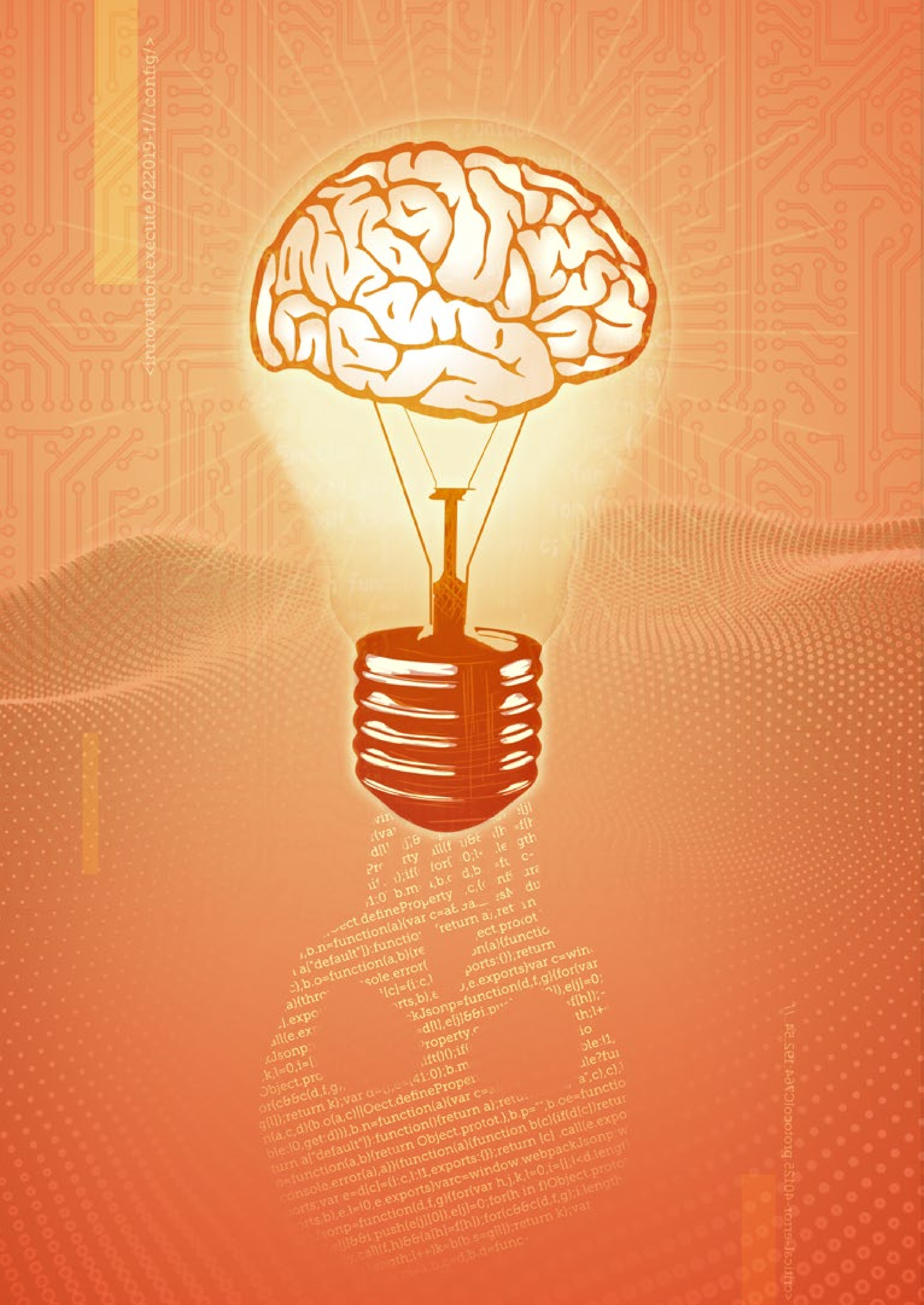
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By Robert Clennan
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Illustration by Jeffrey Sabourin

TECH DOESN'T HAVE TO BE THE DEATH OF THE LOAN ORIGINATOR

Trained, experienced mortgage professionals deliver value to borrowers beyond what the virtual world can offer

As mortgage professionals embrace technology, technology is replacing mortgage professionals. It is one of the industry's greatest challenges: the need to balance the insatiable appetite to invest in more technology with the need to invest in employees.

A well-trained mortgage professional can be key to guiding a client through one of life's most important financial decisions. Unfortunately, the industry is replacing too many of these employees by increasingly relying on technology.

The industry's knowledge base and experience is eroding as it implements technologies that ultimately eliminate jobs and human interaction. That trend needs to be reversed. ▶

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THE PROFESSION'S PLIGHT

How did we get here? Since the financial meltdown in 2007, the mortgage industry has seen layer upon layer of both people and technology deployed to enforce new regulations and create efficiencies to offset the cost of the new regulatory environment.

After their initial focus on compliance, tech companies saw an opening for "aiding" the origination process. Companies were forced to hire more people to assist the mortgage professional in navigating the new regulatory environment.

This added tremendous expense to an already hefty compliance burden. Companies had to protect their already tight margins by creating disclosure desks to watch the bottom line and to make sure fees were accurate and disclosed to borrowers in accordance with the regulation.

The cost per closed loan skyrocketed, commensurate with the cost of compliance and the newly added head count. Companies struggled to interpret the Dodd-Frank Act and frantically sought direction and advice from expensive attorneys to make sure they were in compliance so as not to attract the attention of the newly founded Consumer Financial Protection Bureau.

Moving forward a few years, the industry stabilized. Bad actors were forced out of the business, exotic loans were no longer the bright and shiny object, and the industry focused on government loans and conventional business, the true foundation of mortgage lending.

Mortgage professionals became dependent on disclosure desks and loan-officer assistants. An unintended consequence of this comfort was the loss of a few basic skills that all mortgage professionals used to possess, such as how to disclose a loan as well as communicating with borrowers after a loan submission.

Online applications were becoming popular and mortgage professionals no longer had to interview their borrowers to fill out a 1003 loan application. The borrowers could complete their application in the comfort of their own homes and when it was convenient for them.

This innovation led to 1003s that were not always accurate and mortgage professionals that were not familiar with the story of the borrower's past. They had no connection to the borrower. As technology advanced, the mortgage professional's interaction with borrowers declined further. This is where the death of the mortgage professional began to look more like a real possibility.

A TECHNOLOGICAL BARRIER

Just a couple of decades ago, a mortgage professional had to be well-versed in all aspects of lending. The good-faith estimate was filled out by hand, the truth-in-lending tests were manually calculated, and the 1003 form was completed on carbon paper four sheets thick.

The level of knowledge that the mortgage professional was required to have rivaled that of an underwriter, because there wasn't Fannie Mae's Desktop Underwriter or Freddie Mac's Loan Prospector to make the decision for them. The mortgage professional was required to have solid interview skills so they could proactively address any issue that may arise throughout the process, which took over 45 days.

The mortgage professional was the single point of contact for that borrower and built an enduring relationship that lasted the mortgage professional's entire career. Certainly, 1003 loan-applications were filled out over the phone, and there were cases where the mortgage professional never met the borrower face to face, but they still communicated with one another.

This communication is the key to the success of a true mortgage professional. Technology has advanced to the point where the borrower can go through the entire process without speaking to a human being. This may work for some loan types, borrowers and companies, but it does not bode well for the mortgage professional.

Technology is sold to mortgage professionals as a way to close more loans with less effort. Technology, however, is too often pushed down from the very top by executives who may not necessarily be in touch with the sales team. The tech companies that create these interfaces do not market to the mortgage professional. They sell to the chief financial officers, chief information officers and chief operating officers, knowing that these leaders are always looking for ways to create efficiencies and lower costs.

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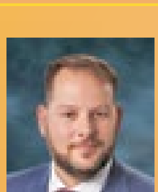

Rob Clennan is president of Mortgage Solutions Financial. He joined Mortgage Solutions Financial in November 1996, starting in inside sales. He later advanced to loan officer, branch manager and vice president of sales. During this period, he helped lead the successful transition of the company's brand from Freedom Financial Services to Mortgage Solutions Financial. As chief production officer, Clennan helped identify and grow a number of new and emerging markets, leading the company to all-time production records. Reach Clennan at rob.clennan@mortgagesolutions.net.

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The fact remains that you could have the most cutting-edge technology and the success of that technology will be dependent on the implementation and buy-in from the rest of the company. Another consideration with respect to the reliance on technology is that the IT department needs to maintain the software, so they need more people — and good IT people are not cheap.

As technology replaces people in operations, the remaining staff must be more versatile and experienced. That means when you lose key mortgage originators, they are harder to replace. Now all of the experience and knowledge resides with the processors and underwriters.

The threat to the mortgage professional is that technology is coming between them and the borrower, creating more distance between the parties. Coupled with the fact that assistants and processors now handle much of the verbal communications with the borrowers, this digital distancing is diminishing the role of the mortgage professional.

Misunderstanding millennials

Much of the new technology being developed is, in effect, making it possible for borrowers to be their own loan officers. Tech companies have doubled down on the assumption that millennials do not care about customer service or human interaction. Service is still an important factor in everything we do. It's an over generalization to think that the millennial generation is all about technology and independence.

One of the many things to learn from the millennial generation is that they cannot be categorized. Society attempts to place millennials into a box, and millennials keep proving society wrong.

The millennial generation is the most highly educated generation in our country's history. As such, millennials want to be able to conduct independent research and have enough information to speak intelligently to whatever endeavor they may be undertaking.

They are free-thinking independents who want the ease of technology, but also require the advice and guidance of experienced mortgage professionals. It is our task as mortgage professionals to provide our clients — from baby boomers to Generation Z — enough technology to be relevant, yet not so much technology that the human element is eliminated.

Technology will certainly continue to revolutionize the mortgage industry. As companies like Zillow and potentially Amazon enter the fray, they will find new ways of automating the process and driving down costs — minimizing, or even eliminating, the need for the mortgage professional. This will impact primarily conventional and perhaps even some nonqualified mortgage business.

Rome is not burning, however, as the government-lending sector will always need the human element. The level of complexity that is inherent with government lending means that there will also always be a need for mortgage professionals who understand and know how to navigate those complexities.

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The mortgage industry must balance the human element with technology so the industry does not become so binary that algorithms and artificial intelligence are making all the decisions. The challenge as an industry is to find the balance between technology and people, while evolving with the borrowers' desires and a new automated landscape. ■