

What Fear Is Real

One of the most common questions I'm asked is what the impact of technological changes will be on mortgage brokers. More specifically, they want to know what technology will replace them and when. From my viewpoint, mortgage brokers tend to be a paranoid lot. They always seem to ask when they will be replaced and don't consider that it just might not occur anytime soon. Lets take a quick look at some of the new technology that could impact the market share for mortgage brokers and try to determine if any of this fear is real.

I believe the largest risk is on the refinance front. For this reason, I'll often ask a broker what percentage of their originations are refi's. If their percentage is higher than that of the overall market, I inform them their future is dim. The current refinance boom could be the last major boom the current crop of loan officers will experience. Many of those that rely on this business to stay afloat may not make it. At some point I believe the large lenders, which hold the majority of the loans being serviced today, will refinance their own customers and cut out the mortgage broker. Alternatively, mortgage loans with adjustment options built in could also eliminate the need for a mortgage broker. Somehow, technology will play a roll in eliminating the cyclical refinancing of mortgage loans as interest rates drop. At some point, lenders will allow a rate reduction refi directly from their web site. The borrower would simply answer a few questions about job status and such, and they would then be approved. A borrower that has been paying on time shouldn't be forced to go through the loan process all over again. In addition, servicers are finding the constant churn of loans to be far too expensive to their bottom line. I expect that the GSE's will also cooperate to help make this more of a reality.

One of the fears I hear is that the new loan streamlining technology coupled with the Internet, will dramatically reduce the loan volume captured by loan brokers. I remember hearing something similar in the early 90's when video conferencing solutions would supposedly eliminate the need for a traditional loan originator. I think I've heard this type of fear even back to the late 80's. I don't believe technology will ever replace the hand holding that a good mortgage originator does. Not including the refinance market, I feel the loan originator will remain in the process. I do agree though, that technology changes will streamline the process and make it easier process a loan. As this process becomes easier, a single loan officer will be able to handle more loans per month. Ultimately, it could lower the cost to originate a loan and potentially lower the income an originator earns on each loan. Still, a good loan officer can still earn a great living. Those that won't earn a decent living are those that really aren't adding much value to their customers.

Most of the streamlining changes have come from the GSE's and the GSE's will continue to refine the process. No question that the

GSE's will remove much of the burden from the loan process. They will continue to reduce the amount of paperwork required and convert to electronic means of verifying employment, assets and property valuation. This will help streamline the industry even further and help the Loan Servicers with the above-mentioned quick refinance scenario. Another aspect is electronic documentation. Some day all of the paperwork generated and collected today will be assembled digitally in a electronic vault. All the parties working on the loan would post and retrieve the documents they need. This will dramatically speed up the loan process and reduce the labor intensive document handling being done today. The electronic loan file will allow all the parties involved to communicate electronically and remove the need to have the mortgage originator to act as a document clearinghouse and a paper chasing gopher.

Recently, I read an article about a loan officer that feared that wholesalers would eventually go direct to the consumer. Further, technology was the reason cited for their ability to do so. In my mind, the wholesalers are the most vulnerable in the food chain. You have wall street and you have the loan originator – the layers in between just add costs. The GSE's will likely continue to streamline the loan process and remove much of the work that's performed today. Without question, technology is helping the process become more efficient. As this work marches on processes will be removed and jobs will be lost. Despite these changes, the loan officer is still needed to find the loans to fill the industry's pipeline. It might just be that mortgage brokers will play more of the role a lender plays going forward.

As Mortgage Originator Magazine continues to recommend, a loan officer can't be too professional. In addition, they should be well connected and respected within their community. Always remember that consumers rely heavily on you as a professional to insure the purchase of their next home goes smoothly and as planned. No technology will smooth their fears better than you guiding them through the process.