

Educating LOs About the Mortgage Business

By Anthony Garritano, Editor, Mortgage Technology Newsletter

There have been several articles in *BusinessWeek* and other prominent publications indicating that loan officers have been preying on borrowers and putting them into option ARMs without educating them about the implications. As a result, the ARMs are resetting and borrowers' payments are increasing to the point that some may no longer be able to afford to keep up.

While this may be a problem, there are a lot of other factors to consider before claiming that all LOs take advantage of borrowers to get the deal. Consider that licensing requirements in this area are unclear, meaning many LOs may not be educated enough about the mortgage business to be real advisors to the borrower. In this area technology can help out.

In total, 100% of 25 respondents believe there is a need for technology to help educate mortgage professionals like LOs about the business. "Some loan officers were very upset by this article and others like it," pointed out Dave Savage, CEO of the Mortgage Coach, a mortgage education automation provider.

"There could be more take-away for the homeowner in these articles," he noted. "They are more concerned with over sensationalizing the topic. They ignore the homeowner's responsibility to read the documents. However, the industry needs a wakeup call, but these articles are so sensationalized that the message is lost.

"The big challenge is that millions of homeowners have debt structure that is not suited for them," continued Mr. Savage. "Regulators need to raise the bar. As an industry we need to raise the bar as well. We need to ask if the homeowner is going to be debt free when they need to be debt free."

Vendors like The Mortgage Coach, Irvine, Calif., and others hope to make a difference in this space. "Typical LOs are transactional and from there they move on," reported Mr. Savage. "We give reports on a monthly basis that compare the borrower's current rate with what's in the market. Every year the loan officer needs to review the recasting and freedom point with the borrower.

"People are building up deferred interest so the recasting point is being pushed out. A lot of homeowners get these loans with the intent to save the difference, but for some reason they don't," he said. "At that point it might be a better fit to go into a more traditional loan. In a nutshell, we come in to help LOs because they're too busy closing loans so they can't deliver these services. We only win as an industry if the homeowner wins.

"One of our reports shows total cost of debt structure over time," concluded Mr. Savage. "The second page is an amortization schedule with the recasting point and the investment required. It shows the wealth accumulation so the borrower knows when they can pay off the debt."

In addition to specialized technology, there is also something to be said for making core technology so intuitive that it helps the LO understand the process as well. "There is a clear differentiator with technology that provides the clarity to assist consumers," pointed out Jordan Brown, CEO at MarketWise Advisors, a consulting firm based in Ponte Vedra Beach, Fla. "The true success of tools like Contour, Genesis and Calyx lies in their simple ability for loan officers to develop work habits that assist them in taking applications and completing the process. Technology that helps LOs learn the mortgage business interactively helps both the loan officers and ultimately consumers."

"This is the biggest thing we need in the business today," added Joe Dahleen, director of internal sales at MILA, a full-service lender based in Mountlake Terrace, Wash. "So much so that if a lender comes up with a program to help educate, both their employees and correspondents, that would be the best marketing approach in getting more business in the current down market."

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