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Ten Things a Loan Officer Must Master to Become an Expert

Monday, April 16, 2007 - by Dave Hershman

There are three tenets to successful business development; The purpose of marketing is to differentiate yourself from the competition in a positive way so that your prospects are strong. The purpose of sales is the conversion of these strong prospects who are motivated to act because they like and trust you. The purpose of customer service is to exceed these customers' expectations and thus place you in position to build your business through referrals.

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The alternative? The alternative business model is more likely to resemble a treadmill as you start over again and again. Those who are the top producers and long-term players in our industry have a *foundation* model of success rather than a treadmill. Every step they take in the industry builds upon the previous step. This is one reason why several years ago I stopped merely teaching sales and marketing seminars to originators. Sales and marketing training is truly worthless if you are not able to implement the entire model in a comprehensive fashion. Ninety percent of my teaching is now part of a comprehensive curriculum designed to help an originator understand what it takes to become an expert within the industry. I am not interested in helping sales people become competent. Only an expert can implement the concepts I have outlined above.

We must start with differentiation. Those who succeed in the long run are those who elevate themselves above and beyond their competition. Because the industry has few barriers to entry and no significant training after you arrive, the mortgage industry is one of the few industries in America in which you can achieve differentiation by becoming an expert in your field. If you

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are an expert and a CPA, you are one of many thousands. Not so in our industry.

Wouldn't you rather lead rather than follow with the masses? Wouldn't you rather advise customers instead of competing on price or other promises? Only experts can advise. We must remember that we are helping people make the most important financial decision they will ever make. Our industry must start treating this decision with the importance it deserves.

There is no way that even my three-day curriculum can make someone an expert in the industry. But it can show someone what it will take to become an expert. It is said that if you don't know what you don't know, you won't improve. Too many of us enter the industry and we have no idea where the road leads—let alone if we are moving in the right direction. A loan officer can have two weeks experience in the industry or twenty-five years. It does not matter—if you have not been shown the right road, you are not likely to have found the way. Ask yourself—how many hours and dollars have you cost yourself heading in the wrong direction? Isn't about time the real road was laid out for you? Unfortunately, even when you have mentorship in this industry—much of it leads us the wrong way. And when we travel too far in the wrong direction, it is sometimes a long way back. A perfect example would be a loan officer forgoing their long-term market to feast on refinances. While making a few extra dollars, that loan officer is now hurting their long-term changes of success.

The purpose of this article is to give a delineation of what it will take for a loan officer to become an expert and thus differentiate themselves from the competition. If you are interested in just getting by—I would suggest you stop reading at this juncture. If you are truly interested in learning what it will take to succeed, this will at least give you an outline for the road. It certainly does not include every facet or course I would recommend—but it gives you the idea of how varied and comprehensive we must be. Our industry touches upon many facets of people's lives and we can't help people without taking into account all aspects of the real estate finance transaction.

1. *Learn the real estate process.* I know of loan officers who say they don't like working with real estate agents and still others who have never bought a home. With regard to the first situation, I say simply—*get over it*. You cannot afford to ignore what can be anywhere from twenty-five to seventy-five percent of the market in a given year. You are in the real estate industry and agents are a major player. Your refinance clients will purchase a home sometime in the future and an agent will be involved. You need to learn how to deal with the right agents and how to control the sales situation. Not only should you play in this market—you should take a real estate licensing class. Not to sell real estate but to understand what agents do. In other words—you must become an expert in not only your field, but in your targets' field as well.

Regarding the absurd situation of someone selling mortgages and never owning a home, I listen with amusement when someone tells me that they can be effective without being a homeowner. If I were a real estate agent trying to convince someone to purchase a home, why would I send this person to someone who can't convince themselves to purchase? A vital aspect of sales is empathy—and you can't empathize with prospects that have experienced something you never have experienced. Perhaps you can sell real estate as a commodity—vying for the lowest bid—but you are never getting off the treadmill in this way.

2. *Learn the three economic reasons to own a home.* It is truly amazing to me that both loan officers and real estate agents are not experts calculating and explaining the economic benefits of homeownership—



leverage, rental equivalency and inflation protection. The first Chapter of my Book of Home Finance is dedicated to these concepts because they are the basis of our whole industry. It is why the industry is called the American Dream. Not mastering this is akin to selling with your hands tied behind your back. Imagine teaching Realtors these concepts— instead of pushing products. Believe it or not, real estate agents are not taught these concepts in real estate school. What a way to differentiate yourself by teaching them the most important concepts they will ever learn.

3. *Learn the economics of your rate sheet.* This is another way you can distinguish a bit player from an expert. We try to make loan officers competent by teaching them how to read rate sheets. But do they know why one program costs more than another? Do they understand spreads? Most loan officers are reduced to general statements such as—*it costs more because of risk*. It is not always because of risk. And sometimes this statement sounds and is ridiculous. I always have a great time giving examples of this in class while I get loan officers to understand the relationships of pricing. One of my first seminars to real estate agents was titled “Everything a Realtor Should Know About the Secondary Market.” Do you think I had a hard time convincing them I was an expert when everyone else was delivering rate sheets and doughnuts?
4. *Learn important economic concepts of real estate finance.* We are not selling a bunch of loan programs. We are selling financial instruments. We need to understand how these instruments can be used to achieve financial goals. Concepts as the efficacy of different levels of prepayment and debt consolidation come to mind at this juncture. How can you call yourself a trusted advisor without mastering these? Our goal is not merely to give people what they want, but to help fill their short-term and long-term needs. Note this requires more than knowledge of loan programs. A loan officer learns programs. An expert learns how to utilize these programs to help their clients achieve their short and long term economic goals.
5. *Learn how to compare loan programs based upon future scenarios—*including ARMs vs. fixed, points vs. no points, one loan vs. two loans, negative amortization and more. For example, do you know the three major scenarios to describe the possible future patterns of interest rates and what they mean? You need to understand the historical case, the worst case and FIAR case scenarios and how to work them into comparisons for your clients.
6. *Learn how to underwrite and process a loan—*including the intricacies of taxes and self-employment. I laugh at trainers advising loan officers to call upon CPAs—knowing full well that when the CPA starts talking about intricate tax returns the loan officer is completely lost. You don’t have a right to call on CPAs unless you are an expert in tax return analysis. To this end, I don’t think you should just learn how to read a tax return—I think you should take a tax preparation course. And a loan officer should not just learn how to process—they need to learn how to underwrite. How can you take control of service levels if every time you send a loan to a underwriter it is as if you have sent it into a black hole? You should know more than the underwriter knows with the goal of underwriting each file BEFORE it goes to the underwriter. And that includes reviewing the appraisal.
7. *Learn how to control your customers and the process.* If you want to deliver great service with less stress in your life, you must take control of the process. If you don’t you will start with an imperfect product and an

imperfect product will result in an imperfect process. How can you exceed your customer's expectations if you can't even deliver adequate service? Experts are well beyond this juncture. I closed sixty loans in one month during my first year in the industry. Do you think I could have done this without taking control? If you are meeting with clients two and three times during the process and real estate agents are running after you to get status, you are reacting and are certainly not in control. Not taking control causes the treadmill or "roller coaster" model of production and subjects you to countless hours of stress every month. The long-term result? Lower production levels or complete burnout.

8. *Learn how to market from within the loan process.* Taking control of the process puts you in a position to avoid costly and inefficient marketing methods such as cold calling or purchasing leads. Do not expect a referral base to start appearing after a few years of going in the wrong direction. Every time you leave the process to market you take yourself further away from a successful business model. Experts learn where the opportunities are. What the foundation model does is help open your eyes so you don't miss these opportunities. When you are running around out of control and then marketing all over the place you will miss so many of these opportunities that are right under your nose.
9. *Learn what is right and what is not.* If you want to lead, you can't do so moving in the wrong direction or coming from the wrong side of the line. You may close a loan and make more money tomorrow or next week—but you will never leave the treadmill because you will not qualify to work with leaders. Leaders understand the importance of relationships. Rate shoppers do not. I firmly believe that much of the fraud that occurs in this industry, including predatory lending, occurs because we have not clearly drawn the line for loan officers. Experts are not wondering where they line lies.
10. *Become an expert in sales and marketing.* I have spent an inordinate amount of time correcting much of the training that most loan officers and Realtors receive. What sounds like good advice such as "you have to ask for the business" and "you must overcome objections" actually can be counter-productive. For example, the secret to getting referrals is not asking—it is positioning yourself to ask. This is why so many of us find asking so uncomfortable. If asking were the secret, I believe many more loan officers would be out there asking instead of saying, "oh, I know I should be..."

Even one step beyond being an expert in sales and marketing within your industry, you must become an expert in sales and marketing within the industry of your target. Loan officer actually should not be attending "loan officer" marketing seminars. They should be attending "real estate agent" marketing seminars. My first rule of synergy says that everything you do must achieve a second objective—even your educational plan. Why not surround yourself with your targets while you learn how to help them? This is why my newsletter system has always included a sales article for agents, financial planners, CPAs and anyone who is in business.

Yes, it will be a lot of work. But if you try positioning yourself as an expert you will achieve what many keep searching for. Finally your efforts will help you get closer to your long-term goals of a satisfaction within your career. Those who know that they can deliver more value not only are in a great position to ask for the business, those seeking counsel approach them every day.

Loan officers hear questions every day such as "what is your rate?" Experts

hear questions such as “what do you recommend I do?” How would you like to spend the rest of your career, answering the first question every day or the second question? This is the choice you have. Unfortunately we are so busy trying to chase down the next deal and becoming competent, most of us never reach that position. I am here to tell you that not only is reaching this goal possible, it can be achieved with the right road map.

**Dave Hershman :**

Dave Hershman is the leading author and a top speaker for the mortgage industry with seven books—including two best sellers for the Mortgage Bankers Association of America. Dave also heads OriginationPro Mortgage School which is the leading advanced school in the nation designed to help a loan officer become an expert and leader in the industry.

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