

The Never Ending Search for the Perfect Loan Application

Introduction

"I AM GOING TO %@ #\$\$&^* HIM IF HE DOES THIS ONE MORE TIME!!!" wails Loan Processor (LP) Prudence.

The "him" is her Loan Officer (LO) Louw E. Zee; the "this" is turning in an incomplete application. Poor Prudence has laboriously lectured Louw on the importance of turning in a complete application, and time and time again, he falls short.

The problem is not so much Louw turning in incomplete apps, one sub-par LO she can handle, the issue is, more and more, all of her LOs are doing the same. While a complete app takes only about 45 minutes to review, an incomplete app can take up to 2 hours due to having to find the missing info and filling in the blanks. It has become such an issue, she brought it to the attention of her Operations Manager (OM), Ophelia.

Ophelia welcomed the opportunity to have a chat with her. She had been hearing some grumblings amongst the LOs lately about how long it takes Prudence to get to their files and process the loans; this would be a perfect chance to sit down with her. After the conversation it became clear what the issue was. Due to incomplete applications being turned in, Prudence was spending more time qualifying the borrower or, getting information the LO should have garnered upfront, and less time processing the loan.

Audience

(See Audience Addendum for Descriptions)

After interviewing three OMs and two LPs, it becomes clear that Ophelia's and Prudence's problem is not isolated to just their branch, it is company wide. The question was: Why do the LOs not perform as expected, didn't they know a complete app when they saw one?

For the PA, I also interviewed/surveyed five LOs: Two "water walkers" and three that think water is what goes in their Scotch.

The LOs that perform at an optimum understood very clearly what a complete application was, knew what was expected of them and were not shy about asking questions. They recognized taking a good application generally meant the loans they handed to the processor closed quickly and they made more money.

In the interviews/ surveys, the three LOs whose performance was below par, all were very non-committal ("I guess I know....."), two provided very short answers, two were not sure what a complete app was, and one did not think he needed to provide one ("Isn't that what a processor does?"). They did not understand an incomplete application meant loss of time for themselves and the LP.

Loan Officer Findings	
Actual	Optimal
Application missing key information (employment, borrower contact), details of file	Complete App: Basic info is in the file
Gap/Cause	Solution
<p>LP can't contact borrower/employer and must guess at circumstances of file</p> <p>Motivation: LO may not understand the value of a complete app</p> <p>Skill Assessment: Does LO know what is expected?</p>	<p>Motivation: Feedback regarding additional time it takes to get info</p> <p>Skills Assessment: Review what is a complete application</p> <p>Job Aid: What to Review Prior to Submission to LP</p>
Actual	Optimal
Doesn't run AUS If run, doesn't provide copy	Provide automated underwriting systems (AUS) decision
Gap/Cause	Solution
<p>Borrower may not qualify; app should not be turned in</p> <p>LP runs an additional AUS at extra cost to branch</p> <p>Motivation: Thinks processor should do the AUS</p> <p>Forgot to give LP the AUS findings</p> <p>Skill Assessment: Doesn't know how to run AUS</p>	<p>Motivation: Feedback on additional time spent on file, dealing with disappointed borrower, mad Real Estate (RE) Agent</p> <p>Remind LO any additional AUS charges will be taken out of commission</p> <p>Skills Assessment: Provide AUS training if required</p>
Actual	Optimal
LO does not review guidelines prior to sending to LP	Review file against guidelines to determine if borrower qualifies
Gap/Cause	Solution
<p>Borrower may not qualify</p> <p>Motivation: LO figures LP will determine, and will fix file, why bother?</p> <p>Environment: Hard to find guidelines, located in different areas of company website, guidelines change often</p> <p>Skill : Not sure how to look up guidelines</p>	<p>Motivation: Feedback on time wasted, appraisals and home inspections may have been run at borrower's expense, angry RE Agents (lost commission)</p> <p>Environment: Create one-stop-shop for guidelines</p> <p>Skills Assessment: Train LO how to review company website locating guidelines</p> <p>Job Aid: At-A-Glance guidelines with overlays</p>
Actual	Optimal
Does not provide application or Good Faith Estimate (GFE) from Loan Origination Software (LOS)	Provide application and GFE from LOS to LP
Gap/Cause	Solution
<p>Since communication between LOS and processing software is not 100% accurate, processor may miss some key information and under disclose</p> <p>Motivation: Forgets, does not see value</p>	<p>Motivation: Feedback on discrepancies that can result without copies, including potential loss of revenue to LO due to not collecting all fees</p>

Loan Processor Findings	
Actual	Optimal
Application missing key information (employment, borrower contact) and details of file	Provide clear instructions on a complete app
Gap/Cause	Solution
Undefined expectations Knowledge: Assumes LO knows when they do not	Knowledge: Weekly meetings to remain on track with expectations
Actual	Optimal
Reviews application regardless of info	Return app to LO if app is missing key items
Gap/Cause	Solution
LO does not know app falls short LP does not spend time processing Motivation: LP sees no value in sending file back, feels it is easier to get info herself than trying to get info from LO	Motivation: OM to sporadically review files Create chart recognizing LOs turning in complete apps, create a reward system. Five complete apps = Starbucks gift certificate Any files falling short are returned to LO, LP asked why file not returned prior to OM review

Solutions

The performance gaps are primarily due to lack of feedback, rewarding non-performers and the need of skill/ knowledge assessment with the possibility of additional training /creation of job aids.

An LO may think they know what is expected, however without adequate feedback, they are not positive. By having weekly meetings with their LP, the LO will be able to maintain their performance at acceptable level to the LP and OM, get updated on their files and learn about any guideline changes. The weekly meeting will also help keep the LP on track with the LO's expectations and projected closings.

By rewarding LOs with praise and visual recognition of a job well done, the OM will help the LOs visualize/understand the value of a complete app. LOs that turn in an incomplete app will not have their files worked on until the missing information has been received, risking the possibility the file will not close in a timely manner.

The OM will do a skill assessment with her LOs. If they are underperforming due to lack of knowledge or confidence in their skills, she will set up appropriate training with the training department or train them herself. If the LO is aware of what they need to do, but just needs helpful hints to get them past certain areas, contact training to get job aids.

Job Aids

The PA provides a number of job aid opportunities, however due to time restraints, the job aid will be a flow chart on how to verify if an application is complete.

With a flow chart outlining an application's required information, the LO will be able to turn in a complete app, including any pertinent details to his LP, without the LP slapping him upside the head with the file due to inadequate information, three out of five loans.

Audience Addendum

Loan Officer: The salesman, bread and butter of a profitable branch.

- 100% commission
- Needs to be in constant motion to get new borrowers
- A good LO brings in business
- An excellent LO brings in business while also adhering to branch policy

Loan Processor: Takes the LO's raw application and transforms it into a complete picture.

- Verifies the file's information
- Insures application falls within investor guidelines
- Orders third party services (appraisal, escrow, Home Owners Association info, etc).
- Submits file to underwriting for approval
- Coordinates with the Funding Department, to order docs and close the loan

Operations Manager: In charge of the operational side of the branch.

- Responsibilities include the day-to-day operations of the branch
- Determines standard operating procedures
- Oversees the support staff (LP, receptionist, Funder, etc.)
- Pinch-hits for various roles when needed
- Very knowledgeable (if not the subject matter expert) in many areas from loan origination, processing, underwriting to funding