The Mighty M

(Left to right) Geno, Nick and Brett

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illennials—
Passing the Torch

— by TAMMY BUTLER —

What do you say to a group of young men of the millennial generation when they ask you, “Why would anyone our age want to enter the field of mortgage banking?” ¶ If you are like some of my successful mortgage banking friends—highly jaded and with 25-plus years into their career—you might advise these young men to consider other options. ¶ Yet, if we really believed this business was so bad, could we have had the opportunities many of us have experienced? Is it too late for their generation to enjoy the benefits of what has mostly been a fantastic career for many of us? ¶ Well, I suppose this is one of those glass half-full or half-empty questions. So like any astute salesperson, I refrained from answering the question and instead asked them: Why are you asking? ¶ Apparently, their brief familiarity with our industry and the fact that many successful Americans are either in real estate, technology or financial services, prompted the question of what it would be like and whether it might be a potential career fit. ¶ Like all those in the mortgage industry older than 50 (which, unfortunately, is the average age of most of us), I’ve had my share of good stories and bad stories. Yet, if I’m really honest, there aren’t that many careers that I could have

The mortgage industry can be a magnet for the entrepreneurial millennial generation. Someone just has to explain it all to them.

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fallen into that would have provided the same lifestyle I have enjoyed all these years—one where I can help people, manage my own time and produce a great income.

And with that, the enlightenment of these young men (or should I say my own enlightenment) began.

The first thing I did was provide an overview of the main positions within the industry. I discussed who did what; what sort of income to expect; and, important to the ever-observant millennial, the lifestyle one could expect.

Having sparked their interest, they proceeded to ask what types of training were offered to get young, intelligent and driven people prepared to pursue a career in mortgage banking.

For most of us veterans of the mortgage business, we were hired and expected to figure it out. Survival of the fittest has definitely been the mortgage mantra.

From the millennials' perspective, that was quite shocking. They asked, "How do they ensure that employees are always growing? After all, virtually every other industry has intern or apprenticeship positions because they know the future of the company depends on continually growing new talent."

I explained that many mortgage companies have become jaded when it comes to hiring inexperienced people because, as many of them put it, "it doesn't work." I went on to say that it does work, but most do not know how to make it work and retain those they train—which is key.

I also shared that the Mortgage Bankers Association (MBA) has launched an impressive array of new courses designed to acquaint young minds with our industry, and at a price point that is affordable. (MBA's education offerings, including Nationwide Mortgage Licensing System and Registry [NMLS] courses, can be found at www.mbaeducation.org.) With a few more conversations, they had decided on their new career path. Little did I know that their education would actually become mine.

Launching the team

The Dream Team, as I now refer to my millennial trainees, decided that mortgage origination fit them best. They were all business or marketing graduates, very knowledgeable in marketing techniques and social media, and had spent the last couple of years working in financial services, sales and marketing, to some degree.

With the goal established, they asked for my help. Now at this point, a busy executive has two choices: 1) wish them the best and possibly refer them to those in the industry who may be open to helping; or 2) pay forward the years of mentoring that I received and pass on this knowledge to them.

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They knew I had been a top-producing originator, owned the largest training school in the industry at one time and trained from scratch a good number of the top producers who are familiar industry names today.

So, I thought, while times may have changed, fundamentals have not, and the teaming of the old and the new might just create the evidence that this can be done.

I agreed to help them if they would agree to understand the "deal structuring" side of the business as well as an underwriter does. I felt compelled to make sure no consumers were harmed in this process by a rookie originator.

This meant spending three hours each week for at least six months in meeting, learning, working on scenarios and learning the technical side of the industry. It was important to me that they didn't hit the streets like many mortgage originators with too much reliance on underwriting systems and their support staff.

Instead, I wanted them to be "old school" and actually know how to structure a loan. It has always been my opinion those are the types of originators who do the best and stay the best.

In addition to our weekly meetings, they were to spend at least three hours each weekend working on their marketing, sales and approach. Part of our time each week would involve going through this part of their plan as well.

The goal was that in six months they would be ready to roll out their new business, and six months after that would be fully up to speed as far as replacing the income they were walking away from.

Aggressive? Yes. Viable? Absolutely!

The game plan

We decided to meet on Tuesday evenings because, as they put it, Monday and Thursday are football nights—or as I refer to them, Lifetime Movie Network nights.

So each Tuesday we met at my home, and while it is obvious they learned from me, the moral of this story is that the master learned more from the apprentices.

Let's put this into context.

The Dream Team consists of three young men aged 25–26 whom I have known for most—or (in one case) all—of their lives. In fact, one of them is my son. The other two are his best friends.

This made my decision much easier regarding whether to devote my time and energy to educating them.

Brett, my son, is a national marketing manager for a mortgage company. After graduating from college, he took a position with a mortgage company—like many of us who joined this industry—with a base knowledge and, as I like to say, a little bit more (having grown up in the same house as me).

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Yet, he decided that he needed to show me what he was capable of, so he took a non-existent marketing plan and made it into something contemporary, that generated considerable business and was compliant.

Geno is a former college football player with a degree from a private college. He put himself through college while working, studying and playing football. For those of you who have tried that, you know it isn't easy.

He has been working in financial services for "ginormous" companies since college. Needless to say, working in a "cube farm" is not one of his long-term goals.

Nick is a graduate of Fordham University, where he received a full scholarship to play football. He graduated in four years with a double major and was quickly recruited to a sales position in the New York City area.

Having experienced the typical "corporate grind," he realized this wasn't where he wanted to spend his life (we all thought he would be a professional football player). So, Nick took off on a church mission trip to Africa where he met the love of his life, a woman from New Zealand. They moved back to Chicago and married, and he started a Web design business that is doing quite well.

So there you have it—the full roster of the Dream Team: three young, highly intelligent, charismatic and good-looking young men who should do well if they learn the art of the mortgage deal.

MONTH ONE: Mortgage process and regulations

This first month, we started by going through the big picture of the mortgage process. As novices, they were unfamiliar with what this looks like and realized that most in their generation do not know how this works, either.

I gave each of them a glossary of industry terms that they needed to review, explaining that as we worked through this process, it was a great reference but not something we needed to spend time going through together.

Being a fan of workflow modeling, I started with a base description of the mortgage process. From there, I worked through the intricacies of the origination process. This included what position was responsible for each piece of the puzzle, and what they needed to do in order to create a positive customer experience.

As we began to go through this process, I found them looking at me on occasion as if I had two heads.

It was at this time that I stopped being the teacher and became the student. They had taken it upon themselves to dissect the overall process and question why we do things this way.

Lesson No. 1 for the teacher: Always question whether you have a process for the sake of having a process or because the process will benefit the consumer. Times change, methodologies evolve and customer appetites and demands change. The customer voice should drive the process—not the other way around.

Great observation, young Jedis!

They took the model, injected their opinion, and then asked me why their revised approach would or would not work. We approached this from the perspective of logistics, investor requirements, compliance and technology.

The end result was a model that was more efficient, more compliant and, most importantly, more customer-centric than our typical mortgage model.

MONTH TWO: Fees and disclosures

During the second month, they needed to fully understand the terminology of the industry. That meant understanding closing costs, fees and varying names that our industry attaches to similar fees, legal variances, tolerances of disclosure and who was paid what.

To help explain this, I presented to them both the old and the new disclosures required by the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA). After all, why teach them the old documents if the new ones would be required eventually? The elements are similar, but the format and the addition of other fees needed to be added.

Lesson No. 2 for the teacher: "So we pay this person to check the work of this person, who checks the work of that person, and the consumer gets to pay for all of that checking?"

Seems like we should learn how to work in the present model and come up with solutions for the future that make the mortgage model more cost-efficient, more compliant and less costly to the consumer versus more costly. Certainly they were onto something there.

MONTH THREE: Products, programs and pricing

Now was the time to get familiar with the types of mortgage products and loan programs that were available. We started out generically through each product group such as the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), U.S. Department of Agriculture (USDA), conventional and so on, and then dove deeper into each product group's individual product offerings.

To do this, we used a sample product list. We began the trek through the matrix and quickly discovered that what the sample thought was a matrix of clarity was really a matrix of confusion.

Lesson No. 3 for the teacher: If you are going to have a product matrix to assist your staff on product requirements, run it by those who know little about the products to see if it makes sense. The problem is that many of these are designed by an underwriter or manager, and what makes complete

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sense to them may not make sense to the novice. Millennials use technology, but that doesn't mean they trust it until they verify that it works.

The next phase was to understand product, pricing and the secondary market. We did a deep dive into secondary pricing, where the money comes from, how loans are priced and sold. They then checked their scenarios against the results in the pricing engines.

I'll bet you already figured out that the Dream Team members deconstructed those as well. For instance, they noticed that the matrixes were set up in a format based on individual program criteria. They found it more helpful to do a compare-and-contrast matrix that would outline what types of consumers would fare better with varying types of programs. This technique not only assisted them in their learning curve, it also helped them understand why certain products were created and what types of borrowers may be served well by those products.

MONTH FOUR: Underwriting and guidelines

This is the month where we broke apart the basics of what they will need to understand in order to structure a loan. First up are all of the links that lead directly to the guidelines.

From there, we broke down each area that required strong knowledge on their part. Assets, income and credit are the main categories, and then we looked at the requirements based on product group followed by investor overlays.

Calculating income included pay stubs, W-2s, self-employed and corporations. They needed to understand how to do this based on the guidelines and not just pass it to a processor or underwriter for results.

It was also at this time that they had more homework than normal. I was on a busy travel schedule, so each week I presented them with scenarios. They were scenarios that I created from real-life experiences. They not only had to qualify the clients, but dive into some pretty complex scenarios that would challenge even the most seasoned loan originator.

Lesson No. 4 for the teacher: They despise the new technologies that attempt to house all of the underwriting data in one place. They found them cumbersome, confusing and a non-productive waste of time. Color me shocked over this one. Instead, they opted for the printed Mortgage References Inc. (MRI) *Quick Reference* manuals that many of us used before online guidelines were available. If you have never seen them, these are printed books that give a quick synopsis and guidance for further clarification. Score one for the old-school ways!

MONTH FIVE: Collateral and appraisals

This is the month that we were able to break out each part of the appraisal, red flags, understanding the sales comparison approach, and what works and does not work with the secondary investors. My goal was for them to understand an appraisal to the point that they could anticipate any issues that might arise that might be problematic to the file.

Lesson No. 5 for the teacher: While collateral (the appraisal) used to be relied on heavily for loan repayment, aren't we changing that up now based on the mortgage market crisis from the last seven years? Now that ought to make your head spin if you think about the logic.

MONTH SIX: Quality control, compliance and NMLS test prep

Compliance and quality control are part of this business, and millennials have no knowledge of the way "it used to be." There are rules that govern every business. So in their world, if people make money doing this business inside of the rules, then those who complain about the new rules don't resonate with them.

The key for millennials is to understand how the rules affect how they do business, and how to serve the customer while staying within those confines. This was also a time of communicating the "why" of our industry rules so that it makes it easier for the client to understand.

We completed, as a group, some sample Nationwide Mortgage Licensing System and Registry tests, studied the questions these rookies didn't get right and revisited those subjects until they felt confident in their abilities.

Then they researched their options for the NMLS prep courses and each chose to enroll in the one that felt right for him, which moved the Dream Team one step closer to the finish line—or should I say the starting line?

We still meet each week, and review sales and marketing techniques so that they can take their loan knowledge and apply it to the market in a valuable way. They strongly believe in adding value to those they work with, before having any expectations of business from them.

Now the time has come to see if the millennial generation is ready to replace the retiring baby boom generation and play a dominant role in the mortgage industry's workforce. I have no doubt that there are many naysayers. Yet, I will bet my time and reputation that this Dream Team, and others like them, will be the future rock stars of the mortgage industry.

I believe that as they succeed, they will redefine the way that consumers get a mortgage. Time tells all, and I hope to be able to follow up to let you know how their first six months of origination turned out. Two of them will start originating loans this month and the third will start in the fall. MB

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