Loan Originators Survey Report

Waiting for the winds of change

LOAN OFFICER HUB

MGIC

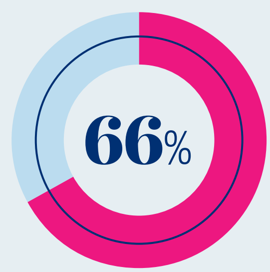
OCTOBER
2023

A REPORT BY MGIC AND LOAN OFFICER HUB

This survey was conducted in June 2023. One year ago, when we conducted our last survey, originators had just been buffeted by a precipitous climb in interest rates. Over the last 12 months, average rates for the 30-year fixed climbed even higher and continue to hover between 6% and 7%. And during that same period, according to statistics from the Bureau of Labor, nonbank lender and broker payroll estimates fell by 46,400 jobs.

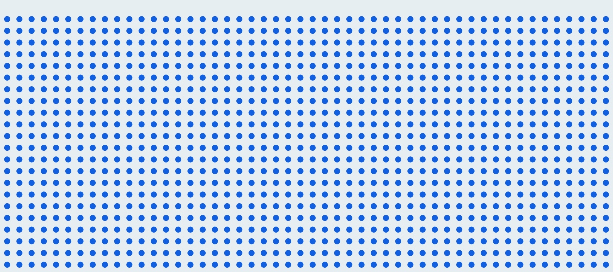
Originators that remain in the industry are doing their best to serve the borrowers that can afford today's interest rates and can find a home in their price range. Some loan officers are still finding ways to thrive — but others are focused more on surviving and being ready for the next big market change, whatever that may be.

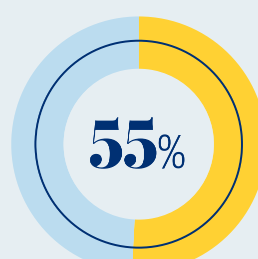
Survey respondents at a glance



aged 50 or older

About 1,000 originators





have 21+ years of experience

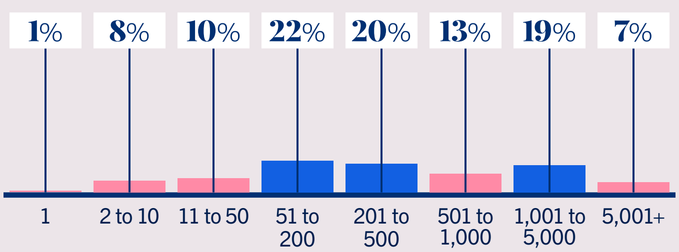
Loan officers

$16,295,000

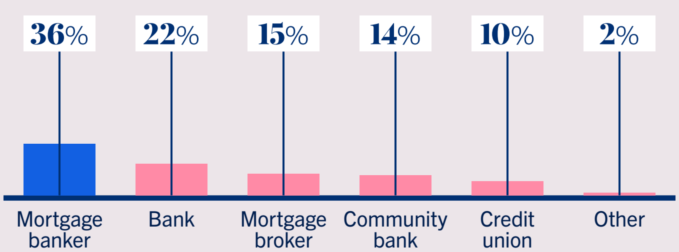
average annual production

Who responded to our survey

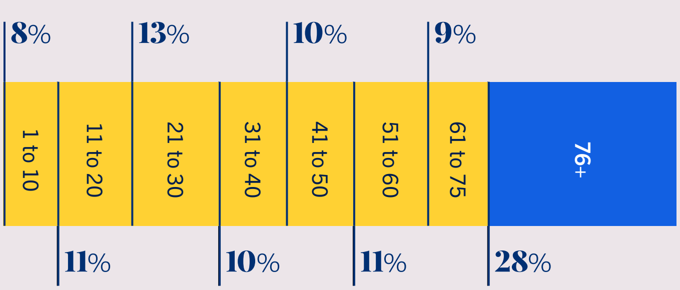
Number of employees at the company



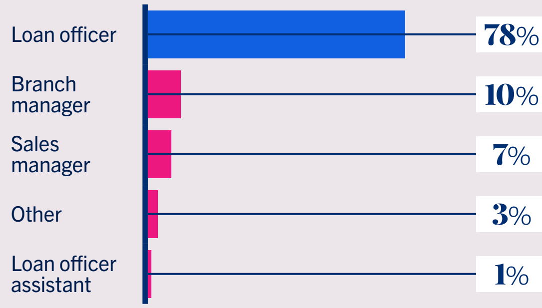
Employer type



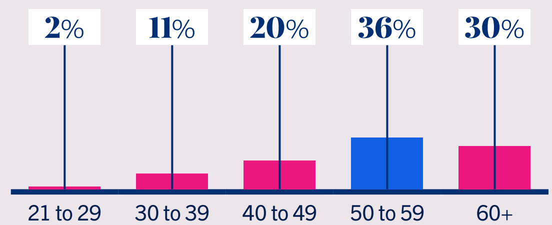
Loans originated in an average year



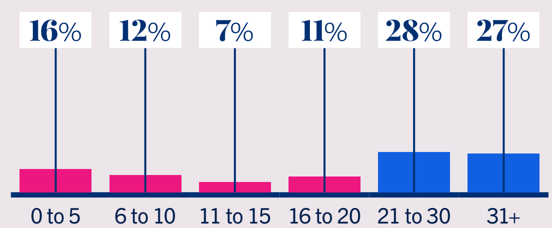
Origination role



Age



Years as a loan originator

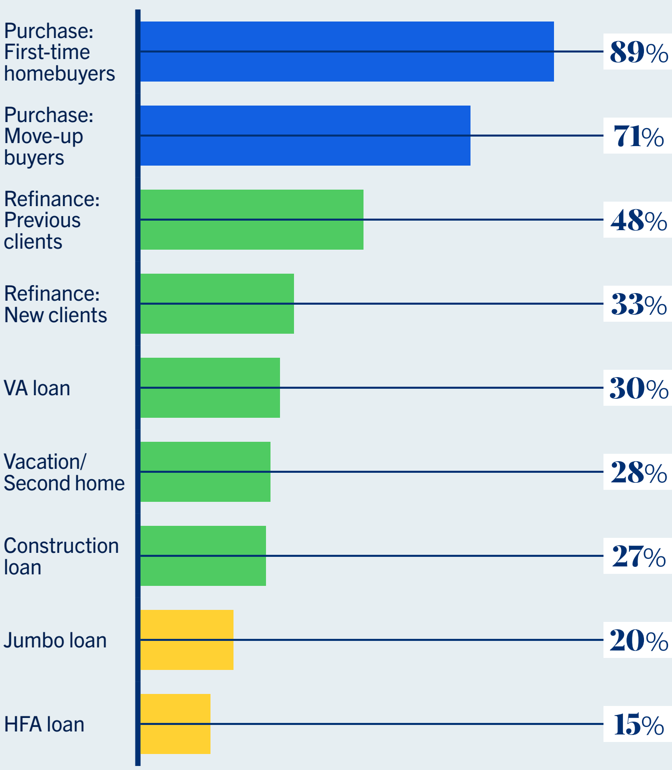


Race or ethnicity

1% — American Indian or Alaska Native
2% — Asian or Pacific Islander
3% — Black or African American
9% — Hispanic or Latino
83% — White
5% — Prefer not to say
1% — Not listed

Reaching and working with borrowers

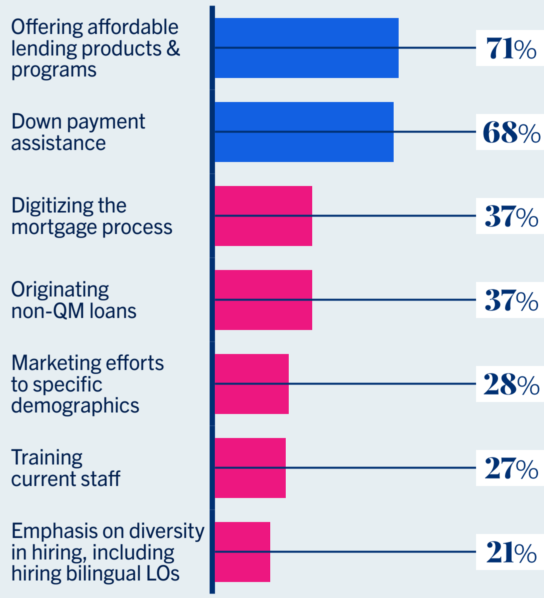
Where loan officers focus their outreach efforts



Respondents were able to select multiple responses.

Unsurprisingly, refinances of both new and previous clients dipped significantly compared with survey answers from 2022 – 20% in each category. A few loan officers also mentioned non-QM loans, reverse mortgages and land loans.

How originators and their companies are reaching out to underserved markets



Respondents were able to select multiple responses.

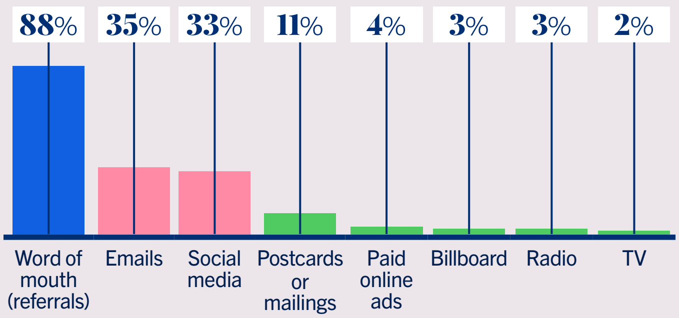
Respondents also said they work with **community organizations**, **housing agencies** and **housing counselors** to reach out to underserved markets. They also focus on **education** – from one-on-one to homebuyer seminars.

4 most effective methods for working with borrowers

84%	83%	79%	40%
Phone	Email	Text	Face-to-face

Respondents were able to select multiple responses.

Which marketing media are most successful for originators



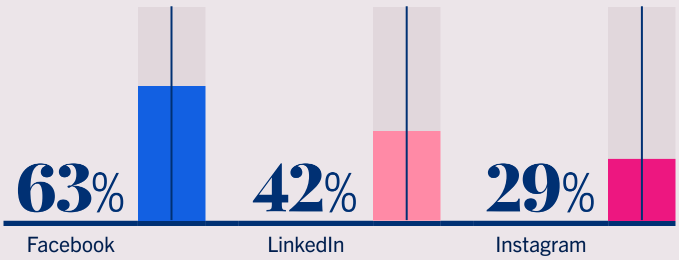
Respondents were able to select multiple responses.

"To-be-determined ... I'm trying just about all of them!"

For all originators, word of mouth is still the best way to find clients.

Building on that theme, several originators mentioned that **in-person networking events** with real estate agents, their Business Network International chapters, community organizations or other groups were key to their referral success.

Social media platforms loan officers use most for business



Respondents were able to select multiple responses.

Hispanic loan officers are more likely to use Instagram for business — 48% say they use the platform, compared to 29% of loan officers overall.

How originators reach out to Millennials and Gen Z

When asked how they reach out to the next generation of homebuyers, **24% of respondents mentioned social media**. Some loan officers are trying new tactics to reach younger borrowers, while others focus on the basics:

"Many prefer text or email, some phone, but most enjoy online services to apply at their own convenience."

"Networking with Gen Z and Millennial real estate agents."

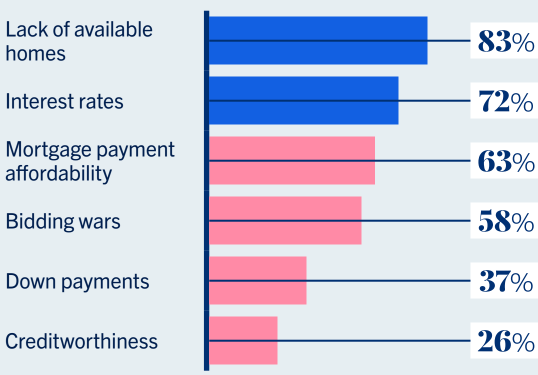
"I go to the high school and teach about how to build credit so the students can reach their goals of homeownership."

"Advertising and going to functions that are for all ages."

"Personal referrals by past clients. There is no substitute for personal service."

Meeting the down payment challenge

Greatest challenges for borrowers in the last 12 months



Respondents were able to select multiple responses.

Changing challenges in a changing market: Mortgage payment affordability ranked almost 30% higher in 2023 versus 2022, while bidding wars ranked 20% lower.

Originators with less experience were more likely to say that creditworthiness and down payments were challenges for borrowers, while LOs with more experience were more likely to select bidding wars and a lack of available homes.

A few originators mentioned that homeowners insurance policies in their area are growing more expensive and becoming a barrier for buyers.

Originators and low-down-payment loans

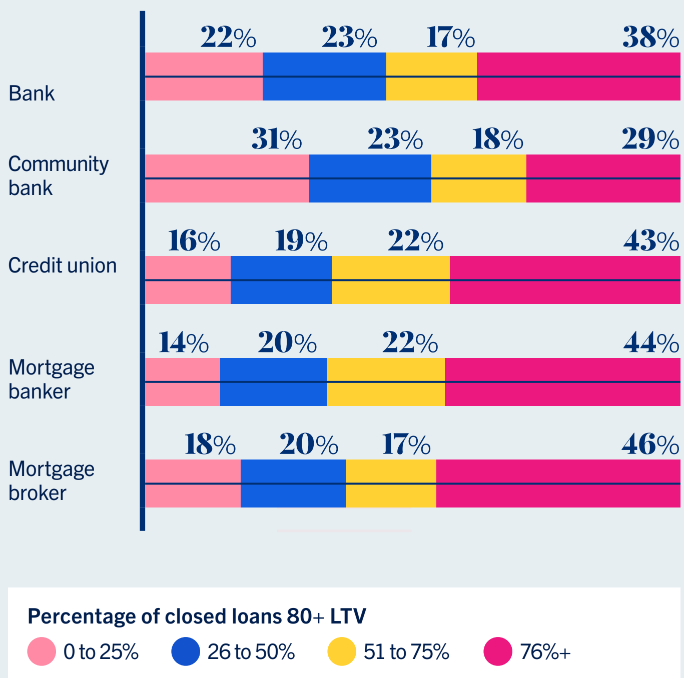
With affordability continuing to be a challenge for many borrowers given the recent increase in interest rates, loan options that allow people to put less money down are as important now as ever.

We asked loan originators what percentage of their closed loans in the last 12 months involved a down payment of less than 20%.

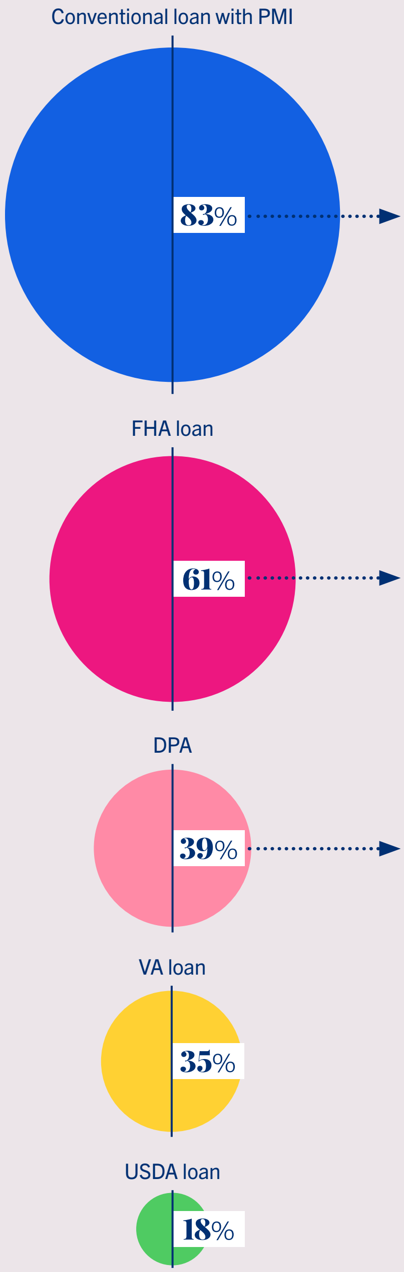
In the last 12 months:

61% of LOs' closed loans were 80+ LTV on average

Percentage of closed loans in the last 12 months that involved a down payment of less than 20% **by quartile and institution type**



Programs and products used most often for low-down-payment loans



Community bank originators are slightly more likely to use conventional loans with PMI and less likely to use FHA, DPA or VA options.

Mortgage bankers are more likely to do FHA loans – 77% said they use FHA loans often.

Mortgage bankers are more likely to use DPA – 49% said they use DPA often.

Respondents were able to select multiple responses.

Several originators also referenced **portfolio loans** and **non-QM products** as solutions for borrowers who need to put less down.

How do originators decide which low-down-payment solutions to recommend?

Loan officers take their role as trusted advisors to their borrowers seriously and know there is no one-size-fits-all solution for borrowers who need a low-down-payment mortgage solution. Many answers to this open-ended question included words like **options**, **compare**, or **needs** – consultative words that show LOs run multiple scenarios and present all the possibilities to clients.

Of course, loan characteristics play a large role in that consultative process.

Credit or **credit score** came up the most often in overall answers

18%

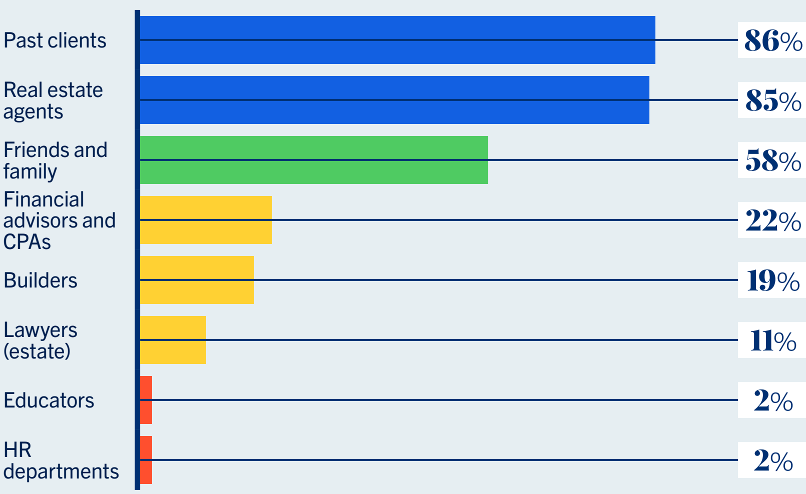
Other popular factors include:

- ★ Price
- ★ DTI
- ★ Income
- ★ Products and programs

"It is all about knowing the customer and what their needs are. I try to study up and know the different options available to my customers ... No two customers are alike."

Working with referral partners

Top referral sources

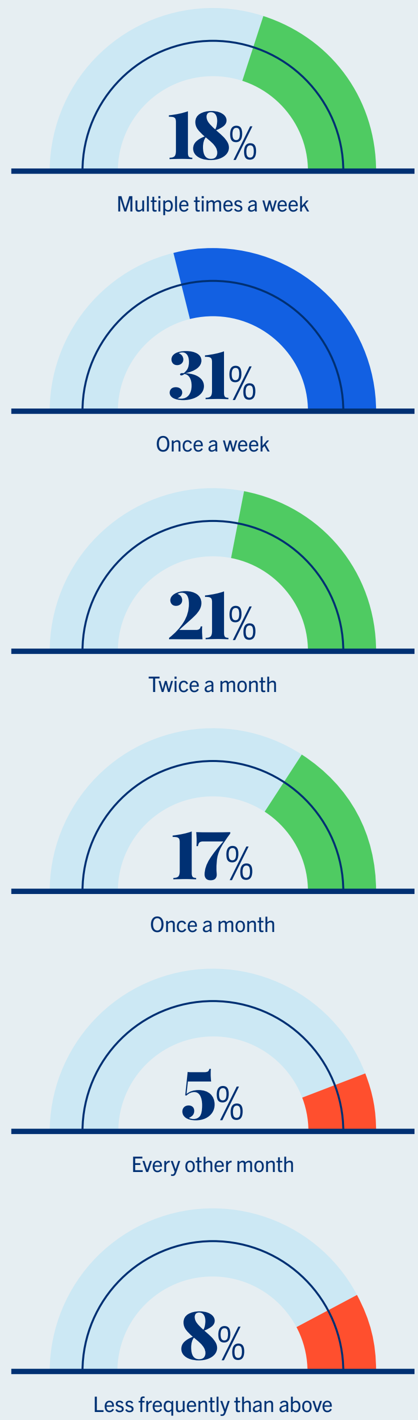


Respondents were able to select multiple responses.

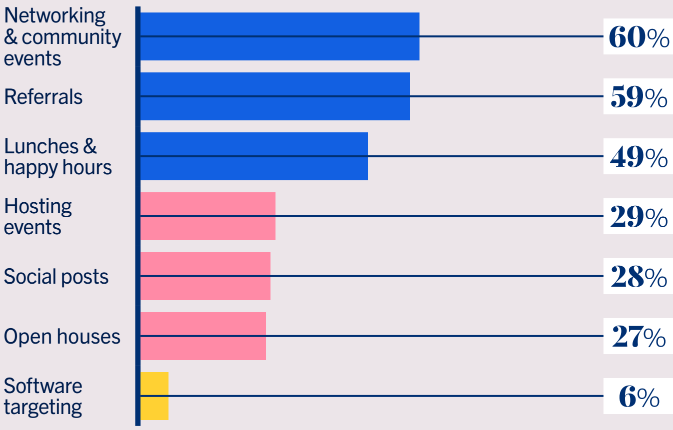
Seasoned originators have diverse referral sources. LOs with more experience were more likely to say that attorneys, builders and financial advisors were among their best referral partners.

Loan officers at banks, credit unions and community banks also mentioned branches and other employees at their institutions.

Most LOs frequently stay in touch with their best referral partners



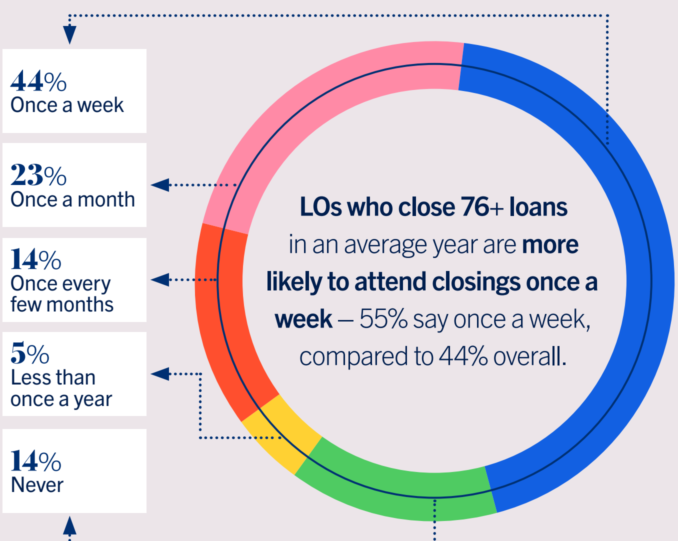
How originators build relationships with real estate agents



Respondents were able to select multiple responses.

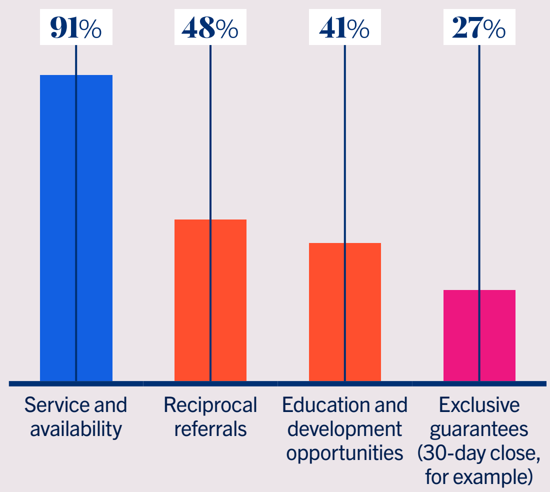
"I try to build relationships with listing agents on the transactions I am representing buyer financing on."

How often LOs attend closings to stay in touch with real estate agents



"I answer the phone. The phone is your friend!"

What LOs feel provides the most value to real estate agent referral partners



Respondents were able to select multiple responses.

Expanding on the importance of service and availability, originators say you must **"keep your promises."** Several respondents also mentioned that **shared marketing opportunities** are one of the most important ways to provide value in this market.

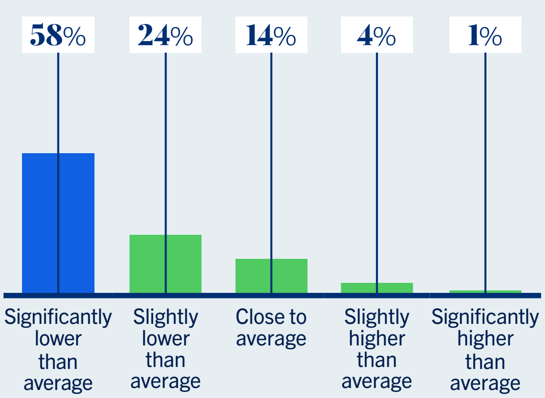
"Working on committees, being part of the community they work in."

Challenges and goals

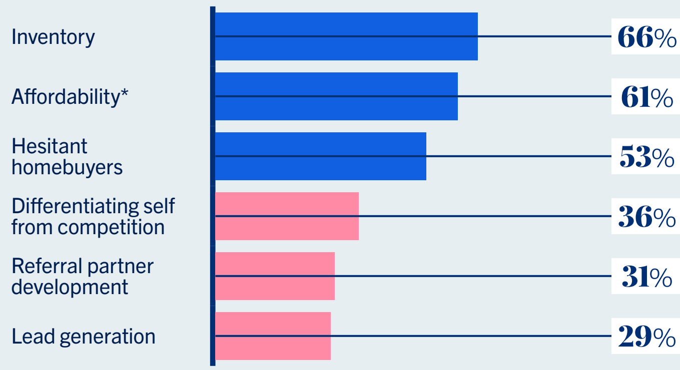
Challenges facing loan originators

In this low-inventory environment, most loan originators are struggling to maintain volume, especially compared to 2020 and 2021. Many qualified borrowers may not find a home to buy in their market. The firehose of loan applications has slowed to a trickle. According to the CFPB, the number of closed-end loan originations decreased by about 50% from 2021 to 2022, driven significantly by a 73% decrease in refinance originations. Loan officers' responses to our questions about their challenges and their goals show they are facing significant headwinds.

How originators expect to end 2023 compared to their average annual production



Greatest challenges for loan officers in the last 12 months



Respondents were able to select multiple responses.

* Including down payment, mortgage payment and interest rate impacts

What requires the most time for originators on a weekly basis

This question was an open field, but the words that appeared most often in the results were **follow up**, so it's safe to say that many originators are spending time communicating with borrowers and referral partners, managing their pipelines. **Marketing** or **networking** appeared in 14% of responses, so LOs are also hard at work generating leads.

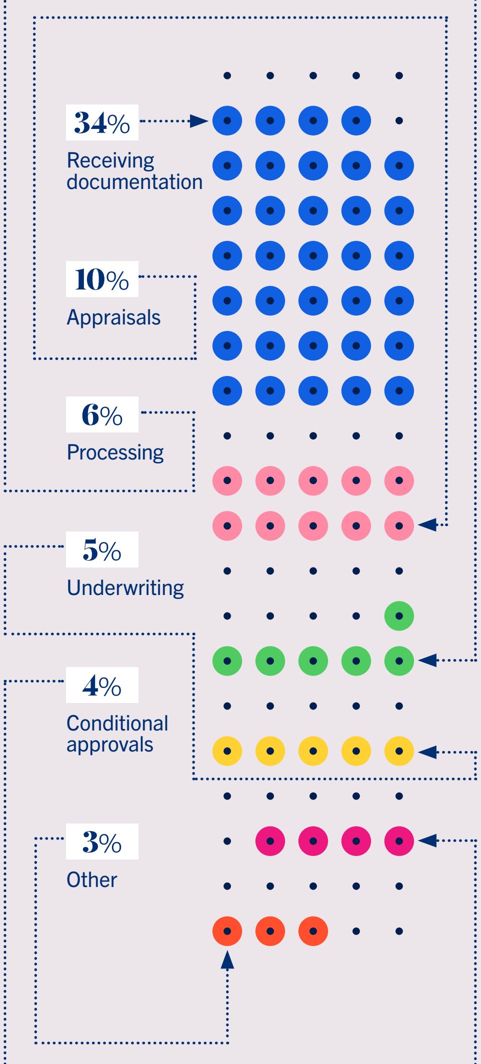
5 most popular words taking up originators' time

1. Follow up
2. Call
3. Networking
4. Marketing
5. Preapproval

"Follow up on inquiries and time spent with members that aren't ready today. I spend a lot of time educating."

Areas causing the most delays in pipeline

While 39% of originators said that delays were not a significant issue, many LOs chose receiving documentation as the largest roadblock to getting to closing.



Planning for the future

We asked originators: What are your business goals?

This question was an open field, so answers ranged from very general to very specific. Overall, sentiment was understandably subdued, with a focus on hanging on through a tough market and getting back to pre-pandemic production levels.

About 20% of originators listed a specific production goal for the year. Production goals ranged from $2 million to $150 million, with an **average production goal of $22 million**.

"Develop 4 new strong referral relationships with builders, real estate agents and attorneys, close a minimum of $17 million and community outreach."

15% of responses referenced **referrals** or **partnerships**, with an emphasis not only on growing the number of referral partners but also on **diversifying the type of referral partner**.

"Maintain real estate agent relationships and expand referral base to CPAs, financial advisors and attorneys. Continue to be diverse ... reach out to real estate agents, builders, past clients, CPAs, attorneys, HR, etc."

About 7% of responses mentioned **survival** or **staying alive**.

"80% of target goal. Survive, build relationships, and be well-positioned when transactions increase."

Some originators are taking time during this slower market to **retool systems or processes**, **learn new skills** or **try new tactics**. Respondents mentioned becoming more digital, from allowing online applications to building their social media presences.

"Refining systems to be at our absolute best capacity, taking advantage of a truly slow and completely different market to get ready for when it decides to change."

Surveys like this are one way originators can glean insights from their peers. And in a rapidly changing industry, keeping up with changes, trends and forecasts is more important than ever. Go to **loanofficerhub.com** for more insights from originators and mortgage experts.

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