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Top mortgage originators talk strategy for 2022 and beyond

By Brad Finkelstein April 14, 2022, 10:03 a.m. EDT 8 Min Read

Last year, mortgage originators had the best of everything — low interest rates that attracted plenty of refinancings and increasing purchase demand at the same time.

But as easy as it was for Top Producers to bring in customers last year, in 2022 they will have to work much harder to keep their origination numbers up while they shift their business models primarily by adding to, or adjusting, their product menus.

The leading originators that National Mortgage News spoke with already have implemented changes to their business plans to maintain their success.

Some Top Producers, in order to deal with the large inflow of loan applications last year, had created separate workflows to increase efficiency. It was the third period in Thuan Nguyen's 16-year career in the mortgage business in which interest rates fell to a new low point.

"I learned from my previous experience that when rates dropped, I could not scale. I could not handle more business," said Nguyen, the president of Loan Factory in San Jose, California who was the No. 1 originator in this year's survey with $2.47 billion in loan volume in 2021. He took the lessons learned from the previous two times when rates bottomed out when he, along with other originators, found themselves dealing with capacity issues. In addition to putting new systems into practice, he staffed up to handle the additional business (Including Nguyen, Loan Factory has eight producers in the top 400).

"I myself, [and] we [at Loan Factory] prepared so that we can continue to take more business and we can close locally and keep the customer happy," Nguyen said.

Last year was about execution, added Michael Borodinsky, a producing branch manager at Caliber Home Loans' Edison, New Jersey office.

“That was the critical issue,” he said. “For example, we used a system to prioritize refinance transactions versus purchase transactions.”

But Borodinsky wasn’t ignoring the other side of the origination equation, declaring, “we never, ever took our foot off the gas or our focus away from purchase.” He produced $346.9 million in 2021. Still, the anxiety during last year was about managing the volume coming in. This year is a different story in terms of back office capacity.

“The loan officers are going to have to go to work this year in a way that they haven’t seen probably since 2018,” he said.

Reginald Maddox, a vice president and regional manager at McLean Mortgage in Fairfax, Virginia, was already doing fewer refis, and thus total volume, in 2021 than the previous year. But, his production remained elevated at $422.3 million, thanks to a lot of hard work and long hours.

“So when I talk to loan officers who come to me and say, ‘what can I do to better my game?’ one thing I tell them is be honest to a fault,” Maddox explained. “Tell everyone the truth. Don’t fiddle around because you’re going to waste your time only to lose the client anyway.”

Key to keeping clients is having a product set to offer in any environment. Melissa Cohn, a vice president at William Raveis Mortgage in the Shelton, Connecticut office, educates her clients about adjustable rate mortgages. It’s a product that, between its post-crisis reputation and the record-low interest rates, has gotten little market share in more than a decade.

While she sold plenty of fixed-rate mortgages during the recent boom, not every borrower qualifies for one. Cohn’s volume last year was $276.1 million.

“Do they need an adjustable because of their debt-to- income? Do they need an adjustable with a bank that’s more forgiving on credit scores?” said Cohn, a 40-year veteran of the mortgage field who’s been a leading originator for many years. “Everyone needs to look at what the best rate and product is for themselves, for their circumstances.”

Today’s ARMs are not the negative amortization sort that has been cited as a cause of the housing crisis and borrowers need to be educated on that, Cohn said, adding that loan officers need to learn something as well. “A lot of originators today have to understand that we can’t put our best rate forward anymore,” Cohn said. “I’ve known this for years that you can’t sell rate, you have to sell approval.”

It’s all about understanding the borrower and understanding the type of property they want to purchase, she continued. That is key for thriving at a time when potential home buyers are well aware of headlines about rising interest rates and a scarcity of homes for sale. Rate movements may be the lesser of the problems for loan officers when compared with the inventory shortage. Consumers were buying homes at times when rates were 15%, let alone being active in the market when they were 6%, Cohn said.

“I haven’t had a single client come to me saying ‘rates have gone up so I’m not going to buy anymore,’” Cohn said. “I’m lucky that the bulk of my clients can afford to purchase and that they purchase for lifestyle and life decisions as opposed to taking advantage of a specific rate.”

Borodinsky is also seeing more demand for ARM loans as rates rise. Additionally, he is doing more non-QM, both using a proprietary product Caliber offers, or through brokering it out.

Adding new products is essential in order to be competitive in 2022. “So what I look at is my ability to fulfill on the entire spectrum, because last year, I didn’t have to worry about that,” Borodinsky said. “Now, you have to be able to fulfill on everything because if you want to keep your numbers solid and keep your pipelines full, you have got to be an expert in everything.”

The inventory shortage is a bigger problem. Consumers searching for a home or making bids are coming in for pre-approvals. After going through the process and getting a letter, they end up being outbid for the property, Borodinsky said.

“Then we wind up doing it again, and then they get outbid, and this could go on for five, six, seven times,” Borodinsky said. “And that’s the problem, we could modify the letter, a price change, the loan amount changed, and we’re constantly doing this work.”

Some consumers are going through this process for up to a year and it can be frustrating for them. “That’s what’s scaring some of the buyers. It’s what’s scaring the market,” Borodinsky said. “What’s scaring me is that at some point, I’m not saying that this is a bubble about to burst but there’s going to be some correction, whether it’s a slowdown of appreciation, a leveling off of appreciation or whatever.”

But opportunity abounds for loan officers at those open houses, where 50 people attend and 30 people submit bids.

“Connect with those people because even somebody is going to get the house and win the bid,” Borodinsky said. “And then 29 other people aren’t but they’re going to go bid somewhere else,” so the loan officer makes new connections as well.

Maddox, who is a producing manager, is hearing from his branches that the shortage is what is most affecting their business. “Every single one said, up to my ears in business, but I’m losing every contract because there’s no inventory,” he declared.

It’s the quality of the consumer that drove the purchase market last year and will do so in 2022, Maddox explained.

“We have quite simply the most educated, highest paid, best credit generation in history,” he said, pointing not just to the millennials, but the Gen Zers as well who are starting their home search journey. “I think we just have way more qualified buyers than we’ve ever had before.”

Maddox only uses referral marketing to bring in business. “From an advertising standpoint, my marketing is, I meet with Realtors and let them know why I’m the best and why they should work with me. It’s as simple as that.”

When he talks with the loan officers at his company, he notes he works alone and it doesn’t take an army of originators to do that level of volume.

For Nguyen, whose business last year was heavily dependent on refis, making up nearly 85% of his production, the shift he already made is to do less rate sensitive products like cash-out loans and non-qualified mortgages. Unlike Maddox, Nguyen uses various forms of social media to reach potential borrowers, and he already has adjusted his messages.

“Most of my clients are in California and they have a lot of equity in the house and they want it, so they’re doing cash-outs,” Nguyen said. Originators need to make that shift in focus and messaging to have a viable business in this new environment, he continued.

“I think this year for our industry it’s going to be a very difficult time for most people,” Nguyen said. But he compared it to the mortgage business after the Great Recession, declaring that “if you can survive then you will have a good future.”

Meanwhile, loan officers must have a sense of empathy to clients and Realtors to be successful. That’s a key point in Maddox’s coaching.

“It’s very easy for us to get caught up in what we want and what we’re doing,” Maddox said. But it’s just as easy to forget that this is the only transaction that the real estate agent has right now.

“And that’s how they’re going to put food on their table and that’s why they’re so annoying and stuff like that,” Maddox continued. “And then with buyers, this is their biggest purchase of their lives or close to it. I think it’s easy for loan officers to forget that.”

That is why providing service is important, even on a 24/7 basis, Borodinsky noted.

“Service execution in this market is more prevalent and more relevant and more urgent than ever because if I don’t get back to somebody reaching out to me, or any one of my colleagues or my team members, if we don’t get back to people immediately, whether it’s picking up on the first ring or calling back on that missed call, we’re going to lose that lead,” he said.

With the ease of connections these days, consumers are “reaching out by email, they’re reaching out by phone and they’re calling lenders, this lender, that lender and whoever picks up is going to get first crack at that deal.”