Loan Counselors and Officers

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Significant Points

- Loan officer positions generally require a bachelor's degree in finance, economics, or a related field; training or experience in banking, lending, or sales is advantageous.
- Average employment growth is expected for loan officers despite rising demand for loans, because technology is making loan processing and approval simpler and faster.
- Earnings often fluctuate with the number of loans generated, rising substantially when the economy is good and interest rates are low.

Nature of the Work

For many individuals, taking out a loan may be the only way to afford a house, car, or college education. For businesses, loans likewise are essential to start many companies, purchase inventory, or invest in capital equipment. *Loan officers* facilitate this lending by finding potential clients and assisting them in applying for loans. Loan officers also gather personal information about clients and businesses to ensure that an informed decision is made regarding the creditworthiness of the borrower and the probability of repayment. *Loan counselors* provide guidance to prospective loan applicants who have problems qualifying for traditional loans. The guidance they provide may include determining the most appropriate type of loan for a particular customer, and explaining specific requirements and restrictions associated with the loan. Some of the functions of a loan counselor also may be performed by a loan officer. Within some institutions, such as credit unions, loan counselor is an alternate title for loan officer.

Loan officers usually specialize in commercial, consumer, or mortgage loans. Commercial or business loans help companies pay for new equipment or expand operations; consumer loans include home equity, automobile, and personal loans; mortgage loans are made to purchase real estate or to refinance an existing mortgage. As banks and other financial institutions begin to offer new types of loans and a growing variety of financial services, loan officers will have to keep abreast of these new product lines so that they can meet their customers' needs.

In many instances, loan officers act as salespeople. Commercial loan officers, for example, contact firms to determine their needs for loans. If a firm is seeking new funds, the loan officer will try to persuade the company to obtain the loan from his or her institution. Similarly, mortgage loan officers develop relationships with commercial and residential real estate agencies so that, when an individual or firm buys a property, the real estate agent might recommend contacting a specific loan officer for financing.

Once this initial contact has been made, loan officers guide clients through the process of applying for a loan. This process begins with a formal meeting or telephone call with a prospective client, during which the loan officer obtains basic information about the purpose of the loan and explains the different types of loans and credit terms that are available to the applicant. Loan officers answer questions about the process and sometimes assist clients in filling out the application.

After a client completes the application, the loan officer begins the process of analyzing and verifying the information on the application to determine the client's creditworthiness. Often, loan officers can quickly access the client's credit history by computer and obtain a credit "score." This score represents the creditworthiness of a person or business as assigned by a software program that makes the evaluation. In cases in which a credit history is not available or in which unusual financial circumstances are present, the loan officer may request additional financial information from the client or, in the case of commercial loans, copies of the company's financial statements. With this information, loan officers who specialize in evaluating a client's creditworthiness—often called loan underwriters—may conduct a financial analysis or other risk assessment. Loan officers include this information and their written comments in a loan file, which is used to analyze whether the prospective loan meets the lending institution's requirements. Loan officers then decide, in consultation with their managers, whether to grant the loan. If the loan is approved, a repayment schedule is arranged with the client.

A loan may be approved that would otherwise be denied if the customer can provide the lender with appropriate collateral—property pledged as security for the repayment of a loan. For example, when lending money for a college education, a bank may insist that borrowers offer their home as collateral. If the borrowers were ever unable to repay the loan, the home would be seized under court order and sold to raise the necessary money.

Some loan officers, referred to as *loan collection officers*, contact borrowers with delinquent loan accounts to help them find a method of repayment in order to avoid their defaulting on the loan. If a repayment plan cannot be developed, the loan collection officer initiates collateral liquidation, in which the lender seizes the collateral used to secure the loan—a home or car, for example—and sells it to repay the loan.

Working Conditions

Working as a loan officer usually involves considerable travel. For example, commercial and mortgage loan officers frequently work away from their offices and rely on laptop computers, cellular telephones, and pagers to keep in contact with their offices and clients. Mortgage loan officers often work out of their home or car, visiting offices or homes of clients while completing loan applications. Commercial loan officers sometimes travel to other cities to prepare complex loan agreements. Consumer loan officers and loan counselors, however, are likely to spend most of their time in an office.

Loan officers meet with prospective clients to discuss different types of loans and credit terms that are available.

Most loan officers and counselors work a standard 40-hour week, but many work longer, depending on the number of clients and the demand for loans. Mortgage loan officers can work especially long hours because they are free to take on as many customers as they choose. Loan officers usually carry a heavy caseload and sometimes cannot accept new clients until they complete current cases. They are especially busy when interest rates are low, a condition that triggers a surge in loan applications.

Employment

Loan counselors and officers together held about 255,000 jobs in 2002. The majority of this employment consisted of loan officers—nearly 88 percent—with the remaining 31,000 jobs being held by loan counselors. Approximately 40 percent of loan officers and counselors were employed by commercial banks, savings institutions, and credit unions. Mortgage and consumer finance companies employed an additional 33 percent. Loan officers are employed throughout the Nation, but most work in urban and suburban areas. At some banks, particularly in rural areas, the branch or assistant manager often handles the loan application process.

Training, Other Qualifications, and Advancement

Loan officer positions generally require a bachelor's degree in finance, economics, or a related field. Most employers prefer applicants who are familiar with computers and their applications in banking. For commercial or mortgage loan officer jobs, training or experience in sales is highly valued by potential employers. Loan officers without college degrees usually advance to these positions from other jobs in an organization after acquiring several years of work experience in various other occupations, such as teller or customer service representative.

There are currently no specific licensing requirements for loan counselors and officers working in banks or credit unions. Training and licensing requirements for loan counselors and officers who work in mortgage banks or brokerages vary by State. These criteria also may vary depending on whether workers are employed by a mortgage bank or mortgage brokerage.

Various banking-related associations and private schools offer courses and programs for students interested in lending, as well as for experienced loan officers who want to keep their skills current. Completion of these courses and programs generally enhances one's employment and advancement opportunities.

Persons planning a career as a loan officer or counselor should be capable of developing effective working relationships with others, confident in their abilities, and highly motivated. For public relations purposes, loan officers must be willing to attend community events as representatives of their employer.

Capable loan officers and counselors may advance to larger branches of the firm or to managerial positions, while less capable workers—and those having weak academic preparation—could be assigned to smaller branches and might find promotion difficult without obtaining training to upgrade their skills. Advancement beyond a loan officer position usually includes supervising other loan officers and clerical staff.

Job Outlook

Employment of loan counselors and officers is projected to increase as fast as the average for all occupations through 2012. College graduates and those with banking, lending, or sales experience should have the best job prospects. Employment growth stemming from economic expansion and population increases—factors that generate demand for loans—will be partially offset by increased automation that speeds lending processes and by the spread of alternative methods of applying for and obtaining loans. Job opportunities for workers in these occupations are influenced by the volume of loan applications, which is determined largely by interest rates and by the overall level of economic activity. However, besides those resulting from growth, additional job openings will result from the need to replace workers who retire or otherwise leave the occupation permanently.

The use of credit scoring has made the loan evaluation process much simpler than in the past, and even unnecessary in some cases. Credit scoring allows loan officers, particularly loan underwriters, to evaluate many more loans in much less time, thus increasing loan officers' efficiency. In addition, the mortgage application process has become highly automated and standardized. This simplification has enabled online mortgage loan vendors to offer loan shopping services over the Internet. Online vendors accept loan applications from customers over the Internet and determine which lenders have the best interest rates for particular loans. With this knowledge, customers can go directly to the lending institution, thereby bypassing mortgage loan brokers. Shopping for loans on the Internet—though currently not a widespread practice—is expected to become more common over the next 10 years, particularly for mortgages, thus reducing demand for loan officers.

Although loans remain a major source of revenue for banks, demand for new loans fluctuates and affects the income and employment opportunities of loan officers. When the economy is on the upswing or when interest rates decline dramatically, there is a surge in real estate buying and mortgage refinancing that requires loan officers to work long hours processing applications and induces lenders to hire additional loan officers. Loan officers often are paid by commission on the value of the loans they place, and some have high earnings when demand for mortgages is high. When the real estate market slows, loan officers often suffer a decline in earnings and may even be subject to layoffs. The same applies to commercial loan officers, whose workloads increase during good economic times as companies seek to invest more in their businesses. In difficult economic conditions, loan collection officers are likely to see an increase in the number of delinquent loans.

Earnings

Median annual earnings of loan counselors were $32,010 in 2002. The middle 50 percent earned between $26,330 and $41,660. The lowest 10 percent earned less than $22,800, while the top 10 percent earned more than $57,400.

Median annual earnings of loan officers were $43,980 in 2002. The middle 50 percent earned between $32,360 and $62,160. The lowest 10 percent earned less than $25,790, while the top 10 percent earned more than $88,450. Median annual earnings in the industries employing the largest numbers of loan officers in 2002 were:

Activities related to credit intermediation	$47,240
Management of companies and enterprises	46,420
Nondepository credit intermediation	44,770
Depository credit intermediation	41,450

The form of compensation for loan officers varies. Most loan officers are paid a commission that is based on the number of loans they originate. In this way, commissions are used to motivate loan officers to bring in more loans. Some institutions pay only salaries, while others pay their loan officers a salary plus a commission or bonus based on the number of loans originated. Banks and other lenders sometimes offer their loan officers free checking privileges and somewhat lower interest rates on personal loans.

According to a salary survey conducted by Robert Half International, a staffing services firm specializing in accounting and finance, mortgage loan officers earned between $36,000 and $45,750 in 2002; consumer loan officers with 1 to 3 years of experience earned between $42,250 and $56,750; and commercial loan officers with 1 to 3 years of experience made between $48,000 and $64,500. With over 3 years of experience, commercial loan officers made between $66,000 and $92,000, and consumer loan officers earned between $55,500 and $75,750. Earnings of loan officers with graduate degrees or professional certifications were approximately 10 to 15 percent higher than these figures. Loan officers who are paid on a commission basis usually earn more than those on salary only, and those who work for smaller banks generally earn less than those employed by larger institutions.

Related Occupations

Loan officers help the public manage financial assets and secure loans. Occupations that involve similar functions include those of securities and financial services sales representatives, personal financial advisors, real estate brokers and sales agents, and insurance sales agents.

Sources of Additional Information

Information about a career as a mortgage loan officer can be obtained from:

➤ Mortgage Bankers Association of America, 1919 Pennsylvania Ave., NW., Washington, DC 20006-3438. Internet: **http://www.mbaa.org**

State bankers' associations can furnish specific information about job opportunities in their State. Also, individual banks can supply information about job openings and the activities, responsibilities, and preferred qualifications of their loan officers.