EXECUTIVE INTERVIEW

# Lenders Speak Out

(Left to Right) Daniel Jacobs of MiMutual Mortgage, Joe Detmer of Churchill Mortgage, and Jeff McGuiness of Embrace Home Loans, discuss the state of mortgage lending today.

The mortgage industry is changing. Purchases increased to 65 percent of all closed loans in June, up from 62 percent in May according to the latest Origination Insight Report released by Ellie Mae. This is the highest closed loan purchase percentage since August of 2014. Refinances represented 34 percent of closed loans in June, down from 37 percent in May. Additionally, the 30-year note rate dropped to 4.04 from 4.06 in May, the lowest point in over a year.

The average time to close all loans increased to 46 days in June, up from 45 days in May. The time to close a purchase rose to 46 days in June, up from 45 days in May, and the time to close a refinance rose to 47 days in June, up from 44 days in May. Similarly, the average time to close FHA loans rose to 47 days in June, up from 45 days in May. Time to close VA loans increased to 50 days in June, up from 49 days in May.

To reflect on the changes going on in mortgage lending we assembled a panel of well-respecting lenders. (Left to right) Daniel Jacobs, the EVP and managing director of national retail lending for MiMutual Mortgage, Joe Detmer, branch manager for Churchill Mortgage Corp.'s San Diego branch, and Jeff McGuiness, chief sales officer for Embrace Home Loans, shared their views on the state of mortgage lending.

**Q: How has mortgage lending changed since you first entered the space?**

**JOE DETMER:** I entered the space in 1994. One thing that has changed dramatically is the rates. It is more affordable to buy vs. renting. People are finding safe haven in real estate. Guidelines have also changed that makes it tougher to get a loan and home prices haven't gone up much, but housing is very affordable. I also think TRID was a good thing because it pushed out the people that were just in the industry to make money vs. those that are interested in taking care of their clients.

**JEFF MCGUINESS:** First, the most obvious change is that consumers are more educated. There is more accessibility to education around product types and what the implications are.

**DANIEL JACOBS:** When I got into the business it was very structured and dominated by sophisticated mortgage bankers and then it went wild. Now I think it has returned to the mid 90s. I feel like I'm back in the beginning of my career whereby everyone is older and more educated.

**Q: In your opinion, what does a lenders have to do in order to be successful these days?**

**JOE DETMER:** You have to be competitive with rates and products, but there are so many new things available to borrowers. We have to offer world-class customer service. During your lifetime you are likely to have six mortgages, so you want to be their lifelong advisor. You have to have the heart of a teacher because most people don't know what we know.

**JEFF MCGUINESS:** It comes down to one word: efficiency. Regulatory compliance is very complex and those that can absorb that efficiently into their process will win the day. We are all selling the same products so you have to be more efficient overall in how you get those products to market.

**DANIEL JACOBS:** If we go back to talking about how consumers are more educated, everyone is more sensitive to the experience. To be successful you have to focus on the feeling about the experience among both your borrowers and employees. You have to be focused on the end user experience.

**Q: How can lenders do a better job reaching out to Millennials and new borrowers?**

**JOE DETMER:** You have to understand their preference of communication. Kids are growing up in a digital world and you have to be respectful. I'm 54 years old so that was hard for me to adapt to at first. I thought that I had to talk to everyone, but they are okay getting texts. Also, there is so much information out there so you have to distinguish yourself.

**DANIEL JACOBS:** We talk about that every month in our marketing meetings. The habits of the Millennials are different as compared to our traditional borrowers and they always change. You need to use social media and alternate forms of communication. I think my kids communicate one way only to find that method is now out of style and they've moved on to another form of communication. These days we have to provide various options for communication.

**JEFF MCGUINESS:** You also have to address the complexion of our sales force to make sure that they are serving the borrower. We have an aging employee base. So, you have to have people at the front of the process to relate to new borrowers. Our employees don't necessarily have to be young, but they do have to know how to reach out and engage younger people.

**Q: What's your take on TRID 2.0 and the overall regulatory burden?**

**JOE DETMER:** I love it. For a long time we created the perfect loan process. TRID has created a flight plan for the clients to know what's going to happen next if it is communicated correctly by the loan officer. TRID has clarified the process. Second, it got the fraud out of the industry. I don't see the fraudulent actors anymore. The rules have made lending a more professional industry.

**JEFF MCGUINESS:** The way we choose to handle compliance is to participate in the industry through the MBA and other outlets so we understand what's going to happen and how we will be impacted. We don't argue the point, we spend our time getting ready. You can't wait until the eleventh hour. The other key is understanding the impact on your people. We have very standard roles in our industry and we have to analyze how these new regulations impact their job. These regulations

**INSIDER PROFILE**

Daniel Jacobs is the EVP and managing director of national retail lending for MiMutual Mortgage. With nearly 20 years of experience in the mortgage industry, he has previously had senior positions at American Financial Network, Residential Finance Corporation and Freedom Mortgage Corporation. Jacobs can be reached at djacobs@mimutual.com.

as administered can be burdensome on our people and we're concerned about potential burnout. We want to be sensitive to the overall process changes around compliance and how our people are impacted.

**DANIEL JACOBS:** That's right. We want to be different without being the pioneer that changes roles completely so everyone feels satisfied in their roles. There are timing differences that arise around when something has to be done and checked. So, what does that mean to our employees? This is a question that we're always asking because we have to have that balance. A lot of what used to done pre-closing is now getting done at the front of the process, which is changing traditional roles.

**Q: What new technologies should every lender be embracing?**

**JOE DETMER:** If lenders are not using Mortgage Coach, I think they are missing the boat. The technology has been around, but it gives the borrower the total cost of the mortgage. It allows you to generate a full wealth presentation. I use it with all of our borrowers. I can give every borrower a total cost analysis of the loan now and over the next few years. Also, you need an active database technology to make it easy for you to keep in touch with your clients. There are only so many clients out there, so you want to keep them so they keep coming back to you. These are not new technologies, but not enough lenders use these tools.

**DANIEL JACOBS:** Lenders need to spend some time deciding how they are going to monitor and control the use of social media by their employees. That is the biggest compliance risk because there isn't much oversight and regulators are going to start looking closely at this. So, what is the balance between employee privacy and compliance? Every mortgage company needs to focus on this area. Ignoring social media is a dangerous strategy.

**JEFF MCGUINESS:** Our LOS systems are challenged to do much more as compared to what they've ever done prior. We expect so much of them. It used to be that you could use a subpar LOS and work around it, but you can't do that anymore. The reliance on the LOS is becoming greater and greater.

**Q: Looking to the future, how do you think lending will change over the next few years?**

**JOE DETMER:** You will see a consolidation among smaller mortgage banks. The consolidation won't be of companies, but rather of mindset. People that don't wrap their minds around the fact that we're here to serve the clients will be pushed out. You have to truly serve the homebuying and home owning public.

**JEFF MCGUINESS:** We have been operating at artificially low rates for some time and that will change. There is also a lot of demand for homeownership. So, how do we meet that need without low interest rate? Are we going to see ARMs come back as a result? Coming off an over-dependence on the agencies, I think we'll see more private capitol coming back into our space over the next few years.

**DANIEL JACOBS:** In the short term the mortgage industry will be boring and steady, especially as compared to the Presidential Election. But in the future mortgage lenders will have to learn how to compete with each other just like restaurants do. The wave of the future is how to capture market share. ❖

### Insider Profile

Jeff McGuiness is Chief Sales Officer for Embrace Home Loans, an approved lender for FHA, VA and an approved seller servicer for FNMA, FHLMC and GNMA. Embrace Home Loans has remained a prominent leader in the industry, having provided hundreds of thousands of individuals and their families with mortgage loans, and now helping banks to provide home financing through its Affinity and Assisted outsourced mortgage solutions.

### Insider Profile

Joe Detmer is branch manager for Brentwood, Tenn.-based Churchill Mortgage Corporation's San Diego branch. Detmer brings more than 26 years of experience in the financial services industry. Prior to joining Churchill, he worked as a consultant for Land Home Financial and Skyline Homes (previously Rancho Financial), where he established partnerships with local industry affiliates. He has served as regional sales manager for U.S. Bank Home Mortgage and was instrumental in increasing the bank's production volume by 600 percent in the San Diego region and surrounding counties.