Loan Officers

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Significant Points

- About 9 out of 10 loan officers work for commercial banks, savings institutions, credit unions, and related financial institutions.
- Loan officers usually need a bachelor's degree in finance, economics, or a related field; training or experience in banking, lending, or sales is advantageous.
- 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 is the only way to buy 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 helping them to apply for loans. Loan officers also gather personal information about clients and businesses to ensure an informed decision regarding their creditworthiness and the probability of repayment. Loan officers may also provide guidance to prospective borrowers who have problems qualifying for traditional loans. For example, loan officers might determine the most appropriate type of loan for a particular customer and explain specific requirements and restrictions associated with the loan.

Loan officers guide clients through the process of applying for a loan. The process begins with a 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 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," representing a software program's assessment of the client's creditworthiness. When a credit history is not available or when 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. Loan officers include such 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.

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

Loan officers determine the creditworthiness of prospective clients.

to offer new types of loans and a growing variety of financial services, loan officers will have to learn about these new product lines.

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.

Some loan officers, called loan underwriters, specialize in evaluating a client's creditworthiness and may conduct a financial analysis or other risk assessment.

Other loan officers, referred to as *loan collection officers*, contact borrowers with delinquent loan accounts to help them find a method of repayment 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.

Work environment. 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 employers and clients. Mortgage loan officers often work out of their home or car, visiting offices or homes of clients to complete loan applications. Commercial loan officers sometimes travel to other cities to prepare complex loan agreements. Consumer loan officers, however, are likely to spend most of their time in an office.

Most loan officers 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 are especially busy when interest rates are low, causing a surge in loan applications.

Training, Other Qualifications, and Advancement

Loan officers usually need a bachelor's degree in finance, economics, or a related field. Previous banking, lending, or sales experience is also highly valued by employers.

Education and training. Loan officer positions generally require a bachelor's degree in finance, economics, or a related field. Loan officers without a college degree often advance to their positions after gaining several years of work experience in various other related occupations, such as teller or customer service representative.

Licensure. There are currently no specific licensing requirements for loan officers working in banks or credit unions. Training and licensing requirements for loan officers who work in mortgage banks or brokerages vary by State and may include continuing education requirements. As the types of mortgages offered to prospective homebuyers increases, licensing requirements may become more stringent as regulators and lawmakers become more leery of possible predatory lending.

Other qualifications. People planning a career as a loan officer should be good at working with others, confident in their abilities, and highly motivated. Loan officers must be willing to attend community events as representatives of their employer. Sales ability, good interpersonal and communication skills, and a strong desire to succeed also are important qualities for loan officers. Most employers also prefer applicants who are familiar with computers and their applications in banking.

Certification and advancement. Capable loan officers may advance to larger branches of their firms or to managerial positions. Some loan officers advance to supervise other loan officers and clerical staff.

Various banking associations and private schools offer courses and programs for students interested in lending and for experienced loan officers who want to keep their skills current. For example, the Bank Administration Institute, an affiliate of the American Banker's Association, offers the Loan Review Certificate Program for people who review and approve loans. This program enhances the quality of reviews and improves the early detection of deteriorating loans, thereby contributing to the safety and soundness of the loan portfolio.

The Mortgage Bankers Association offers the Certified Mortgage Banker (CMB) designation to loan officers in real estate finance. The association offers three CMB designations: residential, commerce, and masters to candidates who have 3 years of experience, earn educational credits, and pass an exam. Completion of these courses and programs generally enhances employment and advancement opportunities.

Employment

Loan officers held about 373,000 jobs in 2006. About 9 out of 10 loan officers were employed by commercial banks, savings institutions, credit unions, and related financial institutions. 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.

Job Outlook

Loan officers can expect average employment growth. Job opportunities will be best for people with a college education and related experience.

Employment change. Employment of loan officers is projected to increase 11 percent between 2006 and 2016, which is about as fast as the the average for all occupations. Employment growth stemming from economic expansion and population increases—factors that generate demand for loans—will be partially offset by increased automation that speeds the lending process and by the growing use of the Internet to apply for and obtain loans.

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 less time than previously. In addition, the mortgage application process has become highly automated and standardized, a simplification that has enabled mortgage loan vendors to offer their 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, especially for mortgages, is expected to become more common in the future and to slow job growth for loan officers.

Job prospects. Besides openings arising from growth, additional job openings will result from the need to replace workers who retire or otherwise leave the occupation permanently.

College graduates and those with banking, lending, or sales experience should have the best job prospects.

Job opportunities for loan officers are influenced by the volume of applications, which is determined largely by interest rates and by the overall level of economic activity. 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. An upswing in the economy or a decline in interest rates often results in a surge in real estate buying and mortgage refinancing, requiring loan officers to work long hours processing applications and inducing lenders to hire additional loan officers. Loan officers often are paid by commission on the value of the loans they place, and when the real estate market slows, they 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, an increase in the number of delinquent loans results in more demand for loan collection officers.

Projections data from the National Employment Matrix

Occupational Title	SOC Code	Employment, 2006	Projected employment, 2016	Change, 2006-16	
				Number	Percent
Loan officers	13-2072	373,000	415,000	43,000	11

NOTE: Data in this table are rounded. See the discussion of the employment projections table in the *Handbook* introductory chapter on *Occupational Information Included in the Handbook*.

Earnings

Median annual earnings of wage and salary loan officers were $51,760 in May 2006. The middle 50 percent earned between $37,590 and $73,630. The lowest 10 percent earned less than $29,590 while the top 10 percent earned more than $107,040. Median annual earnings in the industries employing the largest numbers of loan officers were as follows:

The form of compensation for loan officers varies. Most are paid a commission based on the number of loans they originate. 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. Loan officers who are paid on commission usually earn more than those who earn only a salary, and those who work for smaller banks generally earn less than those employed by larger institutions.

According to a salary survey conducted by Robert Half International, a staffing services firm specializing in accounting and finance, consumer loan officers, referred to as personal bankers, with 1 to 3 years of experience earned between $30,750 and $36,250 in 2007, and commercial loan officers with 1 to 3 years of experience made between $45,750 and $70,250. Commercial loan officers with more than 3 years of experience made between $61,750 and $100,750, and consumer loan officers earned between $36,250 and $51,250. Earnings of loan officers with graduate degrees or professional certifications are higher.

Banks and other lenders sometimes may offer their loan officers free checking privileges and somewhat lower interest rates on personal loans.

Related Occupations

Loan officers help people manage financial assets and secure loans. Occupations that involve similar functions include those of securities, commodities, and financial services sales agents; financial analysts and personal financial advisors; real estate brokers and sales agents; insurance underwriters; insurance sales agents; and loan counselors.

Sources of Additional Information

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

➤ Mortgage Bankers Association, 1919 Pennsylvania Ave. NW., Washington, DC 20006.
Internet: **http://www.mortgagebankers.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.