8 things to know about the post-layoff mortgage workforce

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In a seeming contradiction, as the mortgage industry **shrinks in total employment** due to overcapacity, some companies are out hiring staff, especially sales people.

But those recruiting are looking for specific skill sets. Sales people need to have a proven, purchase-focused book of business. Many of those loan officers that **lost their positions** depended on company-generated leads in order to make a living primarily in refinancings. These people are not in demand, even if they were top producers.

The mortgage business is split between two types of companies: those that are relationship-based, purchase-focused and those more dependent on transactional activity; the latter is the group that is hurting right now, said Paul Buege, CEO and president of Inlanta Mortgage.

"The relationship lenders like ours that have always been in the purchase side, while they're down, they're fine, and they're opportunistic," Buege said. "We have to respect everything that's going on that's not so good but all of our focus is on the future, let's keep growing."

The mortgage industry employed about 300,000 people in 2019, according to Mortgage Bankers Association and Bureau of Labor Statistics data, said David Hrobon, a principal at Stratmor. That hit a high water mark of 427,000 in the first quarter of 2021. Practically all of the new hires were in originations.

In 2019, total volume was about $2.2 trillion. Fannie Mae's latest projection for this year **is $2.3 trillion.** But Hrobon said units produced are expected to come in about a third less than that year, cutting into the amount of staff needed.

"So the universe of people that potentially can be dislocated in this year, the next year and going forward, that number could be north of 125,000 to 140,000 people," Hrobon continued. As in any cycle, several of those let go — or who left the business voluntarily — will be seeking employment in other fields.

Here are some observations about how lenders and workers are dealing with the new employment reality:

Who’s getting hired?

"Everybody is looking for productive, purchase-oriented, experienced salespeople, so there's been a lot of musical chairs, and I suspect there will be more to come," Hrobon said. "The top performing and even I would say, medium performing, salespeople absolutely have opportunities and are valued even in a declining market."

Inlanta, a financial services firm headquartered in Pewaukee, Wisconsin, is not just looking at volume, but one other key metric.

"We want to find people that have experience and do volume, but we want to make sure that they have very strong client satisfaction scores," Buege said. "And in our industry today, nearly every loan officer that operates has a very public client satisfaction score for consumers to see."

Embrace Home Loans also is bringing aboard sales staff while at the same time shedding back office personnel.

"We're very selective about our recruiting process and where the loan officers are coming from, what their volume looks like," said Steve Adamo, president of national retail production at Embrace. "We're definitely hiring from competitors."

Even though working the back office has been a path for moving into loan officer roles, Embrace is not considering such a shift for its staff.

"They have good mortgage IQ; they have great credit acumen and they have made some outstanding salespeople," Adamo explained. "But for what we're looking for now in our hiring — and we are hiring on a very regular basis — we're hiring established loan originators."

Successful experienced loan officers understand the ups and downs of the mortgage rate cycle.

"And they have established books of business with their prospective real estate contacts," Adamo noted. "Those are the individuals that are of most interest to us."

Many of those people might be more willing to move companies right now, even without their position being in jeopardy, said Eric Levin, co-founder and executive vice president of client development at recruiting firm Model Match.

"What might be in jeopardy is where they choose to work, because they may start thinking 'my current organization doesn't give me the things I need to go capture some of that business that I've lost' because of the inventory challenges, or because of the refinance business going away," Levin said.

Mickey Schilling, vice president, national sales for Highland Mortgage, agreed that many successful loan officers are evaluating their options.

"They're being recruited nonstop every single day with phone calls and text messages and emails and random guests showing up at headquarters," she said. "It's a pretty aggressive market right now for loan officers."

It's not just business support, but they also want their lender to have a product set that allows them to grab every loan that comes their way, Schilling said.

"Do they need some kind of non-QM loan? A bank statement product? A DSCR product?" Schilling said "Not every lender offers this program."

And most importantly these in-demand potential hires are assessing whether a lender's pricing is going to be competitive enough for the loan officer to be able to win that sale, she said.

American Mortgage Network is also currently hiring, said David Wallace, executive vice president of the employee-owned company. It is working on a roll-up strategy developed by President and CEO Joseph Restive to attract smaller lenders that might be having difficulty with things like secondary marketing and overhead and become a part of AmNet.

But companies like AmNet are competing against others that are still paying large bonuses for high producers. Even though the employee stock option plan, which is a qualified retirement plan, sets the company apart from the competition, it can be hard when the other offer is cash right now.

"If you're an originator and you got somebody coming in saying we'll give you $250,000 and that ties you up for two years, or come into the ESOP and make [money for] retirement over the rest of your career, there's a lot people that will take the $250,000," Wallace said. "This is reality."

Who's getting left behind?

The amount of fulfillment staff hired is largely a math equation. "If we're going to originate 100,000 units, we need enough people based on productivity metrics to support 100,000 units," Hrobon said. "If now we're going to only fund 50,000 units, you can do the math, we probably don't need half the employees."

A person can have a history as a top producer, Buege said. "But if it was nearly all refinances, we're not going to probably look at hiring that person."

Hrobon agreed, stating that those loan officers that were dependent on their company for leads, "have very little opportunity in the market that we're sitting in right now."

Some might have other reasons for leaving the mortgage business, Schilling said.

"I can understand why some people are saying, 'I've lived through this cycle before, in 2008 to 2010 or 2012 and I don't know if I will make it through' and then decide to look for a new career," Schilling said. "Or maybe they're in a season of their life where they can go ahead and say 'I'm ready to take retirement.'"

One of those people is Bill Reed, a quality control underwriter for third-party fulfillment company Consolidated Analytics. He has approximately 26 years of experience, but was let go in October after about 18 months at the company.

"I have looked inside and outside the industry, I haven't decided whether or not I'm going to leave the industry or stay in it," Reed said. "If I leave the industry, it's just out of necessity. There aren't any jobs right now."

Who might be in demand in other sectors?

People with mortgage industry experience might have opportunities in technology or in other financial services, noted Levin.

"I do see opportunities for those folks with those types of companies, whether it be in customer success, or customer experience positions, marketing and support in general, because those companies do continue to expand, especially the ones that are verticalized, they're not just tied to the mortgage industry," Levin said. "They may touch other financial services platforms as well."

But the skills needed to manufacture a mortgage have left some workers pigeonholed, since they are not necessarily exchangeable with many other businesses, Hrobon said. Mortgage lending is highly regulated; even underwriters for government-guaranteed products need to have approvals.

These workers are "entrepreneurial and independent thinking and highly specialized in terms of technical knowledge that may not be transferable," Hrobon said.

On the other hand, because of the regulated environment created by Dodd-Frank, when "you look at the specialization, not only in terms of technology, but also in terms of project management, in terms of digital marketing solutions, our industry has advanced, grown up, in tremendous ways," Hrobon said. "I used to comment that a loan officer used to be a salesperson; today they are a salesperson, they're a technician and they're highly competent if they're successful, with a skilled level of emotional intelligence, because it's not for the faint of heart."

They'd likely land in industries that call for someone "who knows how to grasp technical items, has sales skills, communication skills, is accountable, disciplined, hard-working, and, has learned, whether it's by schooling or by the school of hard knocks, a level of empathy, understanding and personal awareness of emotional intelligence," such as pharmaceutical and medical equipment sales, Hrobon said.

"The challenge is going to be there's a lot of sales positions, but they're not as highly compensated," he added. "So you're going to look at it and you're going to say, 'where can I find an industry that historically compensates on the upper end?'"

In the back office, retail closers average compensation was $71,285 last year; the average processor, $76,422. For a retail underwriter it was $137,117.

"An underwriter is a role that requires not only high technical skills but it's a licensed role," Hrobon said. "That licensed role commands a premium in our industry, which really is not transferable outside of the mortgage industry."

Logistics is another area where former mortgage people are finding jobs, said Angela Hood, CEO of ThisWay Global, which provides a matching engine for employers and job seekers.

"I think people have identified that when you can handle getting someone approved and getting all of the paperwork and all the documentation pulled together and you can be the manager of that," Hood noted. It can help moving goods around, especially those that come from overseas.

"They feel comfortable and they feel like that they're qualified and that they will fit in well, possibly with the other people that work in that industry, because culture matters a lot," she said. "There's just other opportunities where people can take their skills that they learned in the mortgage industry, which is crossing the T's and dotting the I's, and they can leverage that in another industry that's growing."

Technology is another area she sees ex-mortgage workers gravitating to, for positions such as being a SalesForce administrator.

But across all industries, approximately 40% of job seekers are looking in another industry. "It's a case of, you know, the grass is greener on the other side," Hood said. "They think that possibly there's a better work-life balance or there is less fluctuation in how they are treated or how much demand there is for what they do."

Lower compensation is likely in all scenarios

Even if those recently laid off stay in the mortgage industry, the pay scale is likely to drop.

"The average retail loan officer last year made $218,000," Hrobon said. "And as long as their business was at least more than 50% purchase business and they're willing to take some level of pay cut they'll probably have a home still in this industry."

Loan officers used to get paid 50 basis points on average loan size of maybe $80,000 back in 1982. Now they're averaging about 115 basis points on an average loan size that's approaching $400,000, he noted. That is not sustainable as margins shrink.

It was during the build-up of staff during the pandemic boom that, for the first time in her career, Schilling heard of loan processors getting sign-up bonuses.

"And today, some of the people who made these in the last few years are the ones that we are seeing being laid off," she said.

Reed's recruitment included a bidding war between Consolidated Analytics and another firm. The day before he was let go, Reed said he received a positive performance review from his supervisor. The following morning, the person who did the review informed him he was being let go.

An alternative to the cycle of layoffs

Having been through several of these during his time in the mortgage business, Reed believes changes to the compensation structure could prevent the inevitable cycle of staffing up massively when times are good and firing when volume shrinks.

At the time mortgage companies hire people, they should tell them, "when the market is really hot, your salary can be in this range; when the market cools down, we're going to have to take your salary down to this range, and I think a great majority of mortgage professionals would be just fine with that," Reed said. "Knowing that the market is what it is, you'd rather make less money than just all of a sudden be out-of-the-blue told one day well, you don't have a job anymore."

Many would rather make half or two thirds of their salary "and keep our benefits, keep our job, keep our security, keep our 401k, keep our [personal time off], all the all the things you need to have a normal family life and plan accordingly rather than just kind of having the rug pulled out from you every six months, 18 months, two years, whatever it is," Reed declared.

Matching laid off talent with open positions

To help bring together those looking for jobs and those willing to hire, Model Match has added a free section to its website, called Model Match Connect.

"Whether the person was in the back office, sales or even management, I can complete a form that takes a few minutes, give my name, contact information, resume, social media links, geography and make myself visible and available to lenders, who are also opting in," said Levin.

It's a shared environment where both sides can be visible and then communicate on their own with each other.

"We just want to show the industry 'hey, here's a group of 300 to 400 good people that did well in this industry until market conditions shifted,'" Levin said. On the other side are lenders, banks, brokers and technology companies where they can get in touch with these people and not have to go through a third party or pay a fee.

At the end of the day, the mortgage business is driven by relationships and that is opening the door for movement.

"In this environment there is obviously a fair amount of trepidation, top to bottom, right to left amongst employees in our industry," Hrobon said. "And that trepidation intuitively will sort of enable employees to take a recruiting call where they otherwise might have been hesitant to do so, meaning more people are probably in play or at least willing to have a conversation."

Mortgage lenders should have been more proactive and work proactively with a company like ThisWay Global, Hood said.

"Right now, we have jobs from over 5,000 companies, and we have jobs for a lot of these people that are getting laid off," said Hood. "And to me that's a much better way to handle it, to say 'here's a connection to a company that can help you find your next role' and not just dump them into the market with no feeling because that will end up hurting the company in the long run."

Bringing back some staff

For those on an expansion track, there's opportunity to rehire some of the people let go.

Because of its growth in some areas, Embrace has brought back some of the back office people it previously let go.

"That's not to say that's an easy task," Adamo said. "We really need good growth in a market that's declining."

Keeping the new sales force happy is one reason to consider adding back the back office people in the future.

"If I'm growing my volume, I need great people to make sure that the that the mousetrap, that the machine is actually working on the back end or else I'm going to lose that really good sales talent that was counting on me to be able to manage and close loans efficiently," Model Match's Levin declared. "So absolutely what I think in the short term, you're going to see little pops of opportunities, but as this plays out, you'll start to see more companies engage with the non-sale talent as well."

Wholesaler still in the game sees growth opportunity

With several wholesale lenders **exiting the channel**, Plaza Home Mortgage Chairman, CEO and Co-president Kevin Parra is adding those released staffers to grow his company.

It is adding account executives both where it has existing business as well as in areas where it doesn't have as strong of a presence.

The continued downturn expected for mortgage originations does not worry Parra because of Plaza's current size.

"Picking up those account executives as their lenders drop the wholesale channel…would be a problem for us if we were 30% of the market, we're not," Parra said. "In the broker world, it's hard to say [how large Plaza's market share is] so if we gain a couple of percent, we're probably going to be fine. It's not a huge impact because we don't have a huge market share."