Loan Officers

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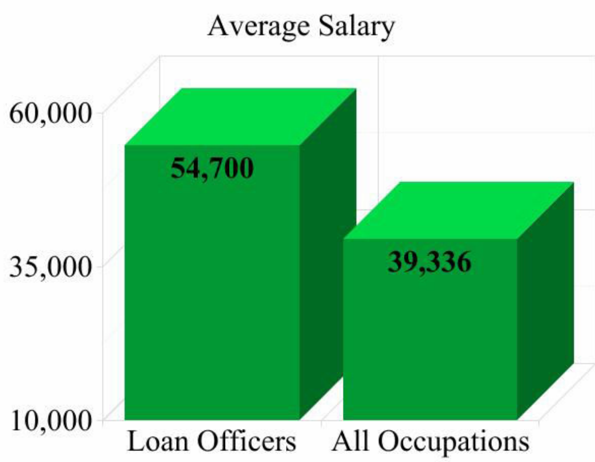
WHAT THEY DO

Many individuals take out loans to buy a house, car, or pay for a college education. Businesses use loans to start 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 gather information to determine the likelihood that individuals and businesses will repay the loan. 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 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 loans made to purchase real estate or to refinance an existing mortgage.



Loan officers guide clients through the process of applying for a loan. The process begins with the client contacting the bank through a phone call, visiting a branch, or filling out a Web-based loan application. The loan officer obtains basic information from the client about the purpose of the loan and the applicant's ability to pay the loan. The loan officer may need to explain 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 an 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 using underwriting software that determines if a client is eligible for the loan.

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. Commercial loans are often too complex for a loan officer to rely solely on underwriting software. The variety in companies' financial statements and varying types of collateral require human judgment. Collateral is any asset, such as a factory, house, or car, owned by the borrower that becomes the property of the bank if the loan is not repaid. Loan officers comment on, and verify, the information of a loan application 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.

Commercial loans are sometimes so large—for example, the loan needed to build a new shopping mall—that a single bank will not lend all of the money. In this case, a commercial loan officer may work with other banks or investment bankers to put together a package of loans from multiple sources to finance the project.

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.

EDUCATION REQUIRED

Loan officer positions generally require a high school degree. Loan officers receive on-the-job training consisting of some formal company-sponsored training and informal training on the job over their first few months of employment. Commercial loan officer positions often require a bachelor's degree in finance, economics, or a related field. Because commercial loan officers analyze the finances of businesses applying for credit, they need to understand business accounting, financial statements, and cash flow analysis. Loan officers often advance to their positions after gaining experience in various other related occupations, such as teller or customer service representative.

Loan Officers - Continued

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OTHER USEFUL SKILLS

People planning a career as a loan officer should be good at working with others, confident, 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. Banks generally require their employees to pass a background check. Most employers also prefer applicants who are familiar with computers and banking and financial software.

HOW TO ADVANCE

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.

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 master 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.

WORK ENVIRONMENT

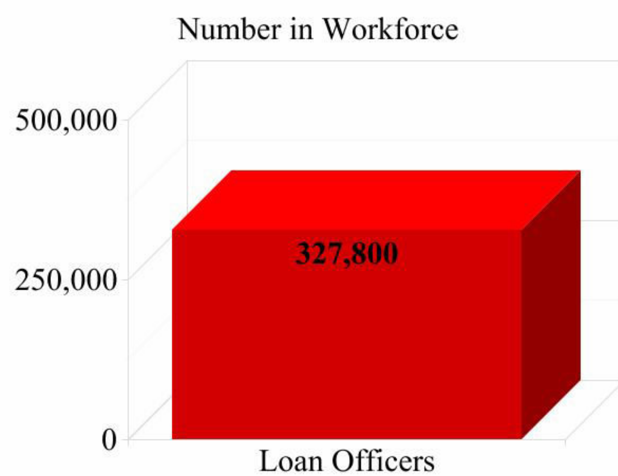
Working as a loan officer usually involves considerable work outside the office. For example, commercial and mortgage loan officers frequently work away from their offices and rely on laptop computers and cellular telephones to keep in contact with their employers and clients. Mortgage loan officers 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.

JOB GROWTH

Employment of loan officers is projected to grow 10 percent between 2008 and 2018, which is about as fast as the average for all occupations. Employment growth will be driven by economic expansion and population increases—factors that generate demand for loans. Growth 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. However, these changes have also reduced the cost and complexity associated with refinancing loans, which could increase the number of loans originated.

The use of automated underwriting software has made the loan evaluation process much simpler than in the past. Underwriting software allows loan officers—particularly loan underwriters—to evaluate many more loans in less time. 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 is expected to become more common in the future and to slow job growth for loan officers.



Most job openings will result from the need to replace workers who retire or otherwise leave the occupation permanently. Good job opportunities should exist for mortgage and consumer loan officers. College graduates and those with banking, lending, or sales experience should have the best job prospects. Excellent opportunities should exist for commercial loan officers as banks report having a hard time finding qualified candidates.