

# Loan Officer

## Snapshot

**Career Cluster(s):** Business, Management & Administration; Finance

**Interests:** Business; finance

**Earnings (Yearly Average):** \$63,270

**Employment & Outlook:** As Fast As Average Growth Expected

## OVERVIEW

### Sphere of Work

Loan officers evaluate, authorize, or recommend approval of loan applications for people and businesses using a process called underwriting to assess whether applicants qualify for loans. Consumer loan officers specialize in loans to people, whereas commercial loan officers specialize in loans to businesses. Business loans are often essential to the instigation of, or continuance of, a business' operations. Further, mortgage loan officers specialize in loans used to buy real estate.

### Work Environment

Loan officers who specialize in consumer loans usually work in offices. Mortgage and commercial loan officers often work outside the office and meet with clients at their homes or businesses, as a means of assessing the client and viability of the property or business.

### Occupation Interest

Loan officers have an interest in finance, math, and statistics, as well as a desire to help members of the public achieve financial and personal goals, while ensuring that the company for



Loan officers, among other things, meet with loan applicants to gather personal information and answer questions. Photo via iStock.com/Drazen Zigic. [Used under license.]

which the loan officer works is well-served. Loan officers make decisions that greatly affect peoples' lives—be it when securing a first mortgage, or a startup loan for an entrepreneurial endeavor.

### **A Day in the Life—Duties and Responsibilities**

Loan officers use a process called underwriting to assess whether applicants qualify for loans. After collecting and verifying all the required financial documents, the loan officer evaluates the information they obtain to determine the applicant's need for a loan and ability to pay back the loan. Most firms use underwriting software, which produces a recommendation for the loan based on the applicant's financial status. After the underwriting software produces a recommendation, loan officers review the output of the software and consider any additional information to make a final decision.

The work of loan officers has sizable customer-service and sales components. Loan officers often answer questions and guide customers through the application process. In addition, many loan officers must market the products and services of their lending institution and actively solicit new business.

Consumer loan officers specialize in loans to people. Consumers take out loans for many reasons, such as buying a car or paying college tuition. For some simple consumer loans, the underwriting process is fully automated. However, the

### **Duties and Responsibilities**

- Contacting companies or people to ask if they need a loan
- Meeting with loan applicants to gather personal information and answer questions
- Explaining different types of loans and the terms of each type to applicants
- Obtaining, verifying, and analyzing the applicant's financial information, such as credit rating and income level
- Reviewing loan agreements to ensure that they comply with federal and state regulations
- Approving loan applications or referring them to management for a decision

### **Profile**

**Interests:** Data, People, Things

**Working Conditions:** Inside

**Education Needs:** On-the-Job Training, Bachelor's Degree

**Licensure/Certification:** Required, Varies

**Opportunities for Experience:** Internship

**Interest Score:** CES

loan officer is still needed to guide applicants through the process and to deal with cases with unusual circumstances. Some institutions—generally small banks and credit unions—do not use underwriting software and instead rely on loan officers to complete the underwriting process manually.

Commercial loan officers specialize in loans to businesses, which often use the loans to begin operations, buy supplies, and upgrade or expand existing operations. Commercial loans often are larger and more complicated than other types of

loans. Because companies have such complex financial situations and statements, commercial loans typically require human judgment in addition to the analysis by underwriting software. Furthermore, some commercial loans are so large that no single bank will provide the entire amount requested. In such cases, loan officers may have to work with multiple banks to put together a package of loans.

Mortgage loan officers specialize in loans used to buy real estate (property and buildings), which are called mortgage loans. Mortgage loan officers work on loans for both residential and commercial properties. Often, mortgage loan officers must seek out clients, which requires developing relationships with real estate companies and other sources that can refer prospective applicants.

## OCCUPATION SPECIALTIES

### **Loan Collection Officer**

Loan collection officers contact borrowers who fail to make their loan payments on time. They work with borrowers to help them find a way to keep paying off the loan. If the borrower continues to miss payments, loan officers start the process of taking away what the borrower used to secure the loan (called “collateral”)—often a home or car—and selling it to repay the loan.

### **Loan Underwriter**

Loan underwriters specialize in evaluating whether a client is creditworthy. They collect, verify, and evaluate the client’s financial information provided on their loan application and then use loan underwriting software to produce recommendations.

## WORK ENVIRONMENT

### **Immediate Physical Environment**

Loan officers working on the consumer side spend most of their time in offices. Commercial loan officers, however, may spend quite a bit of time out of the office, traveling to meet applicants and assess properties and businesses in person. Most loan officers work full-time and some work extensive hours.

### **Human Environment**

While some loan officers may spend most of their time in an office working with software to generate recommendations, others require a person-to-person ap-

proach in order to assess and prepare the loan. Loan officers must exhibit good judgment and business sense, while also understanding that the decisions they make directly impact the lives of their clients. They are the gateway to funds that will help their clients to grow and succeed in life and in business, but the loans must also be profitable. In many cases loan officers need to “sell” themselves to attract business, whether by directly interacting with prospective clients, or networking with real estate agents or other firms.

### **Technological Environment**

Computer and software usage is common, including specialized underwriting software, as well as database software, accounting software, and platforms that allow the loan officer to access credit ratings. The officer must be extremely familiar with these programs to carry out day-to-day functions without error.

## **EDUCATION, TRAINING, AND ADVANCEMENT**

### **High School/Secondary**

High school students with an interest in entering the world of banking and finance should focus on math, economics, and statistics courses, while ensuring good grades in English to improve communication skills. Students should think ahead to postsecondary, in terms of what pathways and schools will help meet their career goals.

#### **Suggested High School Subjects**

- Algebra
- Biology
- Calculus
- Chemistry
- Earth or Life or Physical Science
- Economics
- English
- Geometry
- History
- Physics
- Psychology
- Statistics
- Trigonometry

### ***Transferable Skills and Abilities***

#### **Decision-making Skills**

- Assess an applicant’s financial information and deciding whether to award the applicant a loan

#### **Detail-oriented**

- Paying attention to detail, as each piece of information on an application can have a major effect on the profitability of a loan

#### **Initiative**

- Seeking out new clients
- Promoting their lending institution and contacting people and firms to determine their need for a loan

#### **Interpersonal Skills**

- Guiding customers through the application process and answer their questions

**Related Career Pathways/Majors**

*Business, Management & Administration Career Cluster*

- Business Information Management Pathway

*Finance Career Cluster*

- Accounting Pathway
- Banking Services Pathway
- Business Finance Pathway

**Postsecondary**

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Loan officers typically need a bachelor's degree, usually in a field such as business or finance. Because commercial loan officers analyze the finances of businesses applying for credit, they need to understand general business accounting, including how to read financial statements.

**Related College Majors**

- Business
- Economics
- Finance

**Adult Job Seekers**

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Some jobseekers may be able to enter the occupation without a bachelor's degree if they have related work experience, such as experience in sales, customer service, or banking.

**Professional Certification and Licensure**

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Mortgage loan officers must have a Mortgage Loan Originator (MLO) license. To become licensed, they must complete at least 20 hours of coursework, pass an exam, and submit to background and credit checks. Licenses must be renewed annually, and individual states may have additional requirements.

Several banking associations, including the American Bankers Association (ABA) and the Mortgage Bankers Association (MBA), as well as a number of schools, offer courses, training programs, or certifications for loan officers. Although not required, certification shows dedication and expertise and, thus, may enhance a candidate's employment opportunities.

**Additional Requirements**

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Once hired, loan officers usually receive some on-the-job training. This may be a combination of formal, company-sponsored training and informal training during the first few months on the job.

## EARNINGS AND ADVANCEMENT

Earnings depend on the experience of the loan officer, the size of the firm for which they work, and their area of specialty. Median annual earnings of loan officers were \$63,270 in 2019. The lowest 10 percent earned less than \$32,560, and the highest 10 percent earned more than \$132,680.

The form of compensation varies widely by employer. Some loan officers are paid a flat salary; others are paid on commission. Those on commission usually are paid a base salary plus a commission for the loans they originate. Loan officers also may receive extra commission or bonuses based on the number of loans they originate or how well the loans perform.

Loan officers may receive paid vacations, holidays, and sick days; life and health insurance; and retirement benefits. These are usually paid by the employer.

## EMPLOYMENT AND OUTLOOK

Loan officers held 316,900 jobs in 2019. Employment is expected to grow by 3 percent through the year 2029, about as fast as the average for all occupations. Increased demand for loan officers is expected as both businesses and individuals seek credit to finance commercial investments and personal spending. Loan officers will be needed to evaluate the creditworthiness of applicants and to determine the likelihood that loans will be paid back in full and on time.

However, the decline of bank branches and the increased use of productivity-enhancing technology in loan processing are expected to slow employment growth.

Job opportunities should be good for people with lending, banking, or sales experience. In addition, some firms require loan officers to find their own clients, so candidates with established contacts and a referral network should have the best job opportunities.

### Related Occupations

- Financial Analyst
- Financial Examiner
- Financial Manager
- Insurance Sales Agent
- Personal Financial Advisor
- Real Estate Broker/Sales Agent

- Securities/Commodities/Financial Services Sales Agent
- Tax Examiners/Collectors/Revenue Agent
- Teller

## **MORE INFORMATION**

### **American Bankers Association (ABA)**

1120 Connecticut Avenue NW  
Washington, DC 20036  
800.226.5377  
www.aba.com

### **Mortgage Bankers Association (MBA)**

1919 M Street NW, 5th floor  
Washington, DC 20036  
202.557.2700  
membership@mba.org  
www.mba.org

### **National Association of Mortgage Brokers (NAMB)**

601 Pennsylvania Avenue NW, South Building  
Washington, DC 20004  
202.434.8250  
membership@namb.org  
namb.org

### **National Association of Mortgage Underwriters (NAMU)**

Presidential Circle  
4000 Hollywood Boulevard, Suite 555-South  
Hollywood, FL 33021  
800.865.8550  
contact@mortgage-underwriters.org  
www.Mortgage-Underwriters.org

### **National Association of Mortgage Processors (NAMP):**

www.mortgageprocessor.org  
Nationwide Multistate Licensing System & Registry (NMLS) Resource Center  
855.665.7123  
mortgage.nationwidelicensingsystem.org