Randy Schmidt: Lenders Must Find New Ways To Generate Business In 2014

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For the mortgage banking industry, 2013 might as well have been "The Year of Regulatory Anxiety and Confusion." Lenders spent the better part of the year preparing for implementation of the Consumer Financial Protection Bureau's (CFPB) new ability-to-repay/qualified mortgage (ATR/QM) rules going into effect in January.

Making the task all the more challenging was the fact that the housing market underwent significant change throughout the year. While rising rates put a major damper on refinancings in the second half, the purchase market made a remarkable comeback - this despite the tumult in the financial markets that began in June, following the Federal Reserve's announcement that it might start curtailing its bond-buying program come September (which will now commence in January).

Although the purchase market continued to grow during the second half, it, too, lost some momentum due to rising rates and a dip in consumer confidence stemming from poor job growth. The end of the year saw the housing recovery significantly weakened but still in effect.

So, what do industry leaders think were the top factors that reshaped the mortgage industry in 2013? And what factors do they think will continue to reshape the industry in the coming year? To find out, ***MortgageOrb*** interviewed top industry professionals including Randy Schmidt, president of Data-Vision Inc., a provider of online lending solutions. What follows are Schmidt's responses to our questions:

Q: What do you think were the top three factors that reshaped the mortgage industry in 2013 and why?

Schmidt: The three main factors that I believe reshaped the mortgage industry in 2013 were an end to historically low interest rates, a lack of economic recovery and a slew of new regulatory concerns for lenders. Origination volumes are now in a downward trend, as interest rates have bottomed out and are beginning to rise. With a weak economic recovery, this trend doesn't seem to be reversing and has led to the demise of the refinance market.

Since 2001, refinances have been responsible for a majority of originations with the only exception being 2006, when refinances still accounted for 48.66%. Refinances for 2014 are projected to account for only 35.56% of next year's volume. As we shift into a purchase market, lenders need to find new ways to generate new business. But with the coming regulatory changes in January 2014, lenders have been more focused on compliance.

Q: What do you think are the top three factors that will reshape the industry in 2014 and why?

Schmidt: Many of the same issues that shaped 2013 will shape 2014. First and foremost is compliance. With many new regulations taking effect in January, and a replacement for the GFE/TIL coming later in the year, lenders will need to make sure that they are staying compliant. Origination volumes will continue to slide as refinances fall and purchases will be slowed by the new QM rules.

For these reasons, I see lenders implementing new systems and for technology in general to play a larger part in 2014. By automating their compliance, lenders will be able to focus more energy on growing their market share. One way that many lenders will grow is to develop an effective online strategy. As we move into a purchase market, lenders will need to market to a new technology-enabled borrower base. They will need to be where the borrowers are - and today that means online.

To read additional responses from other mortgage industry professionals, check out our "year in review" features in the December issue of Secondary Marketing Executive magazine and the January issue of Servicing Management magazine.