**Home Loan Application Process Interview with Susan Lipscomb**

**November 4th, 2016, Wells Fargo, Rogers branch**



**Susan Lipscomb, Sales Manager for Wells Fargo, Rogers branch.**

(Photo taken in her Rogers, AR office)

Isabel: First I’d like to ask you a little about you and what you do and this office, and what your responsibilities are within Northwest Arkansas with Wells Fargo.

Sales Manager Susan Lipscomb: “My title is Sales Manager, so I manage the office. There are four of us here that produce. We all originate loans; I also originate loans and manage. We have some people in the company that just manage, so I manage and produce loans. This is the only office in Northwest Arkansas. We have one other office in Arkansas that’s in Little Rock. So we cover all of up here, we even do some business in Missouri and Oklahoma. Because we’re a bank we can lend in all fifty states. A lot of brokers can only lend in the state that they’re in. So, we have some flexibility, which is really nice. We can cover as far out as we need to. I’m actually from Colorado. I have worked for Wells Fargo for going on four years; I transferred here doing the same job. So I, again, manage people here and try to hire new people, do training. That kind of thing.”

Isabel: “Can you tell me the kinds of loans are originated out of this office? What types of loans?”

Lipscomb: “Sure, so we originate many different types of loans. We have conventional types of loans- I’ll assume that you know nothing about loans, we do a conventional loan, is a type of loan that is. I’ll start with government loans FHA is a government loan, VA is a government loan and they are backed, if you will, by the government. They’re different- the ones guaranteed, the ones insured kind of thing- and, then, a conventional loan isn’t backed by the government, but then most lenders do sell their loans to the secondary market, which is Fannie Mae, and Freddie Mac. So we all underwrite to those guidelines for a conventional loan. We do both of those; another government loan is an RD loan, which we see a lot more in this area. When I was in Colorado, the Denver area, we didn’t see many “

Junior Home Mortgage Consultant Nadeen Holland: Is that Rural Development?

Lipscomb: Uh huh. Nadeen is new here and has-

N: There are a lot of acronyms that I don’t understand, like, it’s japanese to me.

There are a lot of acronyms. And once you’re in it, you just talk that way and forget that people don’t understand, so, rural development is a government backed loan as well that is specific to an area- the property has to fit the rural development criteria. So it has to be in a rural area. And you can zero down sometimes depending on the property, so we do some of those out of this office. The fha, va, conventional. Then there’s also what’s called a nonconforming loan that’s over the conforming limit. Which is the 417,000, so we do those as well.

N: No commercial, though, right?

Lipscomb: No, only residential loans we do here. We also have a commercial loan area, but totally separate. We also do home equity loans out of this office. Once you’re in it you start talking that way. World development is a government is back loan as well that is specific to an area. It has to be a rural area, you can do zero down mattering on the property. WE do FHA, conventional, nonconventional. Only residential loans we do here. We also do home equity loans here.

Isabel: We have looked into FHA, VA, and Conventional loans. I had no idea that there were RD loans here. We will have to look into that.

Oh, good.

Isabel: Could you talk about the purposes of loans that people come to you for, whether that refinancing or to buy a home, do you see some more than others?

Lipscomb: So we’ve seen a lot of refinancing with rates as low as they are over the last 5+ years, since I’ve been doing it. And all indications for the last couple years are that they’re gonna go up. They’re volatile. They go up and down but they have really remained pretty low, so we’ve continued to see a good amount of refinancing.

Isabel: You’d say in, like, the last five years?

Lipscomb: You know, I’ve been doing for a long time. I was a realtor before I was doing loans, and I’ve been doing loans for about four years, so as long as I have been in it, I don’t really remember - They’ve been low for at least five years. Low… I mean relatively. They’ve been around- Right now they are right around four percent, up and down, some under some over,kinda depending. They vary based on different things. Loan programs, credit, and that kind of things. But they’ve been consistently low for at least 5 to 6 years.

N: We had a gal contact the office to see if refinancing could benefit her. And her loan that she got in i think around 2009 or 10 was at I think at around 6 and a half percent. So in 2016 , six years later, she could save around two and a half percent. And when you talk about 30 years you’re talking about thousands of dollars of savings. Her I think was 09 or 10 so it’s been, for sure 4 years so that’s been about when rates come down. So people sometimes think, oh, refinancing isn't for me, but when they start to really think, well, 2 percent is a lot of money.

I: Could you talk to me about the factors about whether to accept or deny an application? What kinds of things go into looking at an application through a broad scope.

Lipscomb: Sure, so when somebody comes here, although I have pretty good understanding about what makes a better application or not, or what makes someone more or less qualified, I take the application, and then submit it to an underwriter, who makes the decision. I don’t make any loan decisions. I take all of their information, and then send it to- I actually, the process is, I gather all the information and then submit it to a loan processor. The processor, again, kinda looks to make sure we have everything we need and then submits it to an underwriter who goes through the very detailed guidelines- it’s all pretty standard, what the guidelines are, as far as debt to income, we look at what their housing debt-to-income is, so just the loan payment, the mortgage payment, and then their total debt to income. So those are pretty strict numbers of what we like to see. The housing ratio, which i also call a front end ratio is a little more, can be more lenient than the total, or back-end ratio, um, they really like to keep that back end right around forty-five percent.And that’s gross income to all of your debt. And that’s a little misleading to, as the debt that we count is pretty much everything that shows up on the credit report. Car payments, credit cards, loans. We don’t factor in the utilities, insurance, some of that kind of thing. And i think, obviously, the forty-five kind of factors that in but not specifically so that’s probably why they keep it at that level knowing that we all have other obligations as well.

Isabel: So credit score- important.

Lipscomb: Definitely. So, credit score, and again, kinda varies a little with loan program, but that’s a big thing. Not only credit score, but credit patterns, credit history, you know, what’s the likelihood that somebody’s going to repay the loan. So, a lot of factors go into that but definitely score, income, job history. They put a lot of emphasis on job history. They don’t like to see gaps in employment if they’re not explainable. Those are probably the big things: credit, income, job history, stability, pattern of savings is important, and if you’re weak in some areas, their other areas could maybe outset it, but not beyond certain areas. Say you’re a little high on your debt to income, but you’ve got a good pattern of savings and you have a high rent and you’ve been successful in paying that rent amount then they may let you go a little higher than normal because you’ve got some compensating factors.

Isabel: Does all of that decision-making happen with the underwriter or the external program or is that something that a person can come in and talk to you about, say “I know I don’t look good in this area, but here’s all the other reasons why I qualify.

Lipscomb: Right, and that’s what on the front end I feel like I’m an advocate for the borrower. I try to get as much of their story and history and then I can relay that to the underwriter. The borrower would not typically talk to the underwriter but part of what I do is to really present the borrower in the best possible light so the underwriter doesn’t get to talk to them or meet them, I get to hear their story and meet them and really get to put a face with the name where they don’t. So part of my job definitely is to really explain why I think they’re a good risk and why that they’re likely to repay the loan, and you know, what I’ve learned.

Isabel: So is it that you give a recommendation, but you aren’t the person deciding.

Lipscomb: Yes. I can pretty much- I shouldn’t say everyone I submit I recommend - but even if there was somebody that I didn’t particularly recommend and I said, well, you know, here are some of your challenges… I still have to submit them for a loan.

Isabel: When people come in as applicants, is there anything that you see consistently that they don’t particularly understand or a common problem. Like, well I didn’t know that I needed credit for a loan or something like that?

Lipscomb: Sure. Because people, and we talk to a lot of people where it’s there first time and it is-- there’s so much that goes into it. And especially after around 2008 when things really changed and things got tightened up, it’s much more of an arduous process for someone who’s trying to get a loan and we want to see detailed explanations of things like why do they have a gap in their employment why did they do a certain thing, what is their story. So, I would say that something that a lot of people don’t understand is why we want to see copies of everything that we do. We typically ask for 30 days of pay stubs, 2 months of bank statements, their most recent w2. Some people we ask for tax returns, depending on their employment situation. And as we look at bank statements, the underwriter will want explanations for any large deposits that weren’t from their payroll. So what we want to know is are they borrowing money that we don’t know about that we haven’t factored into their debt ratio. So we want to know what’s going on here. Some people think we get real personal, about wanting to know everything about them. But we’re looking at giving them a loan for a sizeable amount of money and wanting to know that they have the ability to repay it. So I think that’s probably the biggest frustration and misconception is my gosh, I’ve given you everything I have and you want more? YOu want me to write a letter of recommendation, of things even from other people. So, sometimes people can use a gift for down payment and closing costs, certain loans will allow that, but then we need certain copies of the gift donors bank statements, so it’s far reaching and some people just are really uncomfortable with it but it’s just part of the process. I would say that’s probably one of the biggest misconceptions. I do think that people probably could be more educated with credit and getting a loan, getting a mortgage, that kind of thing that we probably miss out on in schools because people don’t know about credit you know how to what goes into a credit score, how do I build credit how do I start credit. We do have some loan programs where we can help people, we call it build alternative credit, so if you have no credit, like absolutely nothing reported on your credit report, you’re better if you have bad credit, if you have some late payments, so that we can overcome if we have got a good rental payment history, maybe you pay car insurance monthly, cell phone monthly, those are things we can use to substitute credit.

So, but I think until I even got doing this, I didn’t even realize, and I still don’t even realize exactly how a credit score is determined, I think that’s kind of a mystery to a lot of us but that is, you don’t want to close credit cards once you have them. That can lower your score or using all of your available credit can lower your score. There’s so much that goes into it. Multiple credit inquiries sometimes can hurt your score. There’s just a lot that goes into that a lot of people, most of us, don’t know.

Nadeen: Late payments and..

ISABEL: Going back to talking about, you know, like the people not understanding or being surprised by the large process that comes with applying, why is that process so important? People are uncomfortable with it, but it’s still necessary. Why?

Lipscomb: So, good question. I think the main reason is because we talked about at the beginning that we underwrite to certain guidelines. All lenders underwrite to the guidelines of who we sell ultimately the loans to so if we don’t have everything documented and everything correctly done, we risk potentially not being able to sell them, so it’s just a risk I would say probably. Like we said too since 2008 things have changed a lot. The regulations have really gotten very strict about what disclosure, all this kind of stuff, and it always has been, but we’ve kind of come back around to just being.. They recently changed within a year, a little over a year, the process. We’ve used it, it seems it was typical that the day of closing everybody was hustling around trying to get you know everything done and a lot of times the buyer showed up and they were seeing the final figures for the first time. So now there’s a new law enacted that we have to have the settlement statement out to the buyer on the purchase or refinance three days prior to closing. There’s no way around it. So that’s really helped. I think that’s been helpful to people to have some time to really go over the figures and understand what they are.

ISABEL: Do you, this being the only branch in Northwest Arkansas, how do you reach potential applicants?

Lipscomb: So we’re very fortunate that I think because of Wells Fargo and we have a good brand recognition name, and we’ve been in this location I understand for many years, so we get a lot of walk in traffic, a lot of people who call, people who have mortgages with us who want to refinance or get a new mortgage with us, we are the and you probably know this, the largest loan originator and servicer so we service most of our own loans as well, so people continue to make their payments to us. If you go to a lot of lenders, smaller banks or brokers, they originate the loans but then you end up making payments to somebody else, potentially to us. So that, that’s one way. We also network with realtors in the area to because they most of the time I would say, potential buyers reach out to realtors first. So we network with realtors and the people we’ve done business with before we’ve developed relationships with so then they refer us people who need loans.

Nadeen: They send out information.. The realtors, about the rates, what they are, any new programs that come out, you know.

ISABEL: And those can be conveyed to the buyer directly.

Nadeen: Sure. That email you send out.

ISABEL: So a little bit of background on our project.. This is for a data journalism course and we’ve been examining HMDA data specifically for this region and that’s why I decided to contact Wells Fargo because I saw that you guys were in the top five banks involved in the loan process here. One of the things we’ve found is that income is extremely important because like across the board people with lower median incomes were getting fewer loans. Does that sound like, based on your experience, yes, that data is a fair representation?

Lipscomb:Yeah. Like we talked about it plays such a big role in qualifying. Well yes and no I should say. We do plenty of loans maybe I would say to lower income people and I think that’s one of the beauties about this area is that there is affordable housing, where in some areas in Colorado like where I come from it’s not affordable in the big metro area and here it is still affordable so we do see loans to lower income people but I would say overall your research is probably correct because generally it’s not affordable because we are so tight, I mean all lenders are very strict on who they can give a mortgage too.

Nadeen: And maybe too with the lower income people it’s harder for them to save up a down payment because maybe they’re living hand to mouth. You know they pay their rent, maybe it’s hard for them to accumulate a down payment. YOu know, but Wells does do manufactured homes which a lot of lenders don’t do. So a mobile home is considered and that’s something too that we see a little more of in this area in some of the more rural (indiscriminate talking)

Lipscomb: Also because of the there’s just a lot more that goes into doing them that a lot banks have just stayed away from doing them but yeah that’s something that we do. It has to be, it can’t still be mobile, it has to be on a permanent foundation, but so, those are very affordable.

Nadeen: I think Wells reaches out to more of those lower income people because some of that affordable housing you guys do at Wells Fargo will do a mortgage for where other banks won’t because they think it’s too risky you know… indiscriminate talking

Lipscomb: And we do have again a lot of lenders do the same types of loans, but Wells Fargo does have a proprietary three percent down program called your first mortgage, and you don’t have to be a first time home buyer um the name is a little misleading and with some other really good underwriting guidelines that are more lenient I would say maybe towards people that are new to the process and just starting out maybe lower income so that’s a really good thing that we have.

Nadeen: We do also have, so with the thing that came about mainly with the change that came about a year ago where we had to have everything ahead of time and certain disclosures up front having electronic your loan tracker where people can follow the process electronically. They do a lot of online signing of documents. This process is very document heavy. We have a lot things that we have to have people sign and acknowledge and that kind of thing, so that has really been helpful for people to keep track of that to do it they don’t have to come into the office as much or ever really that’s so much they can do that way, that’s a good thing that we do (indiscriminate talk)

Lipscomb: We find that people, the millennials and younger people are very tech savvy and they’d much rather do it that way on their phone or ipad so that’s been really helpful.

ISABEL: How long could a, or is there a typical timeline for an entire loan process from originating to approving.

Lipscomb: Yes there is, pretty much. I mean it varies of course but 30 days is kind of the minimum where we kind of have to have a little bit more time on the front and the back, and I would say that’s across the board with most lenders and realtors know that too when they’re writing contacts that 30 days is almost quick. You know, that’s the short end of it. 30, maybe 60 would be long. 45 is kind of a good earmark. We can work well in that time frame. Right now one of our struggles is appraisals. It’s just, there’s not as many doing it, I don’t know how much research you’ve done on that, that’s a very interesting piece of this, that the people aren’t getting into the business as much, there’s a big barrier to entry, so we’re kind of short on appraisers.

Lipscomb: New people aren’t getting into it as much. So that, every loan we do, almost every loan we do, every purchase loan we do, there may be a few exceptions, but for the most part every loan we do has to have an appraisal and the appraiser, the appraisal has to be done by an independent appraiser and so we have to go out and we’ve got a group of people that are on our list but we have to use that list of specific people to go out and they go look at the property and they find comparable properties to come up with a value.

Just because a realtor lists it and sells it for a certain amount doesn’t mean that’s really the value. They’re pretty good and they know pretty well how to determine value like the appraisers but it’s based on other sold properties. So that’s one, something that’s added a little bit of time. It goes around in the back, it goes on in the background while we’re still doing our underwriting and documentation gathering and that kind of stuff. We’re verifying everybody’s employment and that kind of thing so it’s a side by side process but it can take a while, when we’re already up and waiting on them to get an appraisal sometimes it makes it tough.

ISABEL: You mentioned this earlier and I didn’t know what it was but, what’s a “see loan” *(this whole exchange is about my misunderstanding what she said..It starts at 28:37 ~~and I proceed to be an idiot through 29:07)~~*

ISABEL: So when we were talking about low income, there are potentially a manufactured loan would be an example

Lipscomb: It’s not a manufactured loan, it’s loan for a manufactured home, which can be a mobile home. They also have homes that they’ll build somewhere else and then trailor out to a property, so those can be manufactured homes as well. They’re outfitted to that, they’re not a stick build where it’s constructed right there on the property on the foundation.

Nadeen: You should mention the pre approval stage because buyers can come in and give certain information about themselves and they get preapproved for certain amount. So when they go out to shop they pretty much know their price range of what to shop for and–

It’s necessary. Most realtors or sellers on the advice of their realtors will not take an offer if they’re not pre approved.

ISABEL: Really?

Lipscomb: So they’ll come in with all their pay stub documentation and bank statements and that kind of thing so we would run their credit as part of the pre approval typically and then at that point we know yes, based on what you’ve told me, and you know we’d still have to verify everything, but based on all of this and your credit we would pre approve you for a loan based on the amount of X amount of dollars so they can go out and shop and they have their letter that is our letters are very good. Some lenders will write letters that are maybe they haven’t done as much research or maybe they’re (indiscriminate talking) but we don’t do that. Our letters are very solid, if you will, and realtors know that, who’s you know done the research and that’s a must in the process for a purchaser.

Nadeen: And it’s helpful to everybody, the realtor, the seller because they know that the offer is a valid offer and that the people probably can qualify for it (both talking) because they know what you can pay

Lipscomb: You have to, it’s a definite must. There’s nothing worse than going out and looking at houses for $300,000 and then realizing shoot I can’t afford that. Now we’re back to $200,000 and boy those look a lot better.

Nadeen: Right, I like those better

ISABEL: Looking at, or I’m interested in what you said about opportunities for loans for lower income people, I don’t know if you see any of this because this is Rogers and not Springdale, do you see any work you do with the Marshallese community regarding that?

Lipscomb: So I personally, have not done any work with the Marshallese.

ISABEL: So that won’t be in this office.

Nadeen: But there is a large (indiscriminate talking) this is the office everyone would come to, but I’ve only been here a year. But there is a large community of Marshallese

ISABEL: Is there anything I’m missing or anything else you might think is important for me to touch on, anything we haven’t talked about?

Lipscomb: Um, good question. Let me make sure. When you do this everyday, you feel like there are certain things you’ve covered and Stacy reminded me of a few things which were great. We did talk about you know it’s not a single factor, it’s definitely the whole picture. There are certain things we can’t go outside of but that we do look at. It’s the whole picture, I think is really important. You had kind of asked things that people don’t know that would be helpful. I think it’s definitely important to work with a mortgage consultant or a loan officer because I think it really is, especially personally, I would much rather work with somebody face to face, back to people who are familiar with and comfortable with internet, there’s quicken and those kinds of things and I personally would not like that. You’re sending everything over you’re talking to somebody different all the time. I think it would be really important especially if you’re new at this to work with somebody local and somebody personal as somebody has some familiarity with the area.

ISABEL: It is interesting you say that we talked about Quicken Loans in class a little bit, how does that work? How do people actually do that without a face, without verification, without a lengthy process?

Lipscomb: Because you are, like we talked about, sending really personal information, private, potentially if it got in the wrong hands, dangerous, with your social security and everything, I wouldn’t be comfortable with that. And I really don’t, I think they brag with their process that their process is so quick and easy and I just can’t imagine that it would be that way. But so yes, important to work with somebody like that.

Lipscomb: But yes Wells Fargo has 8,000 home mortage across the country, wide branch of products we had talked about. We have some really good tools for aspiring home owners on the internet. We’ve got my first home, where you can kind of walk through and it gives you a little bit about where you would be qualifying wise with your income and debt, which is really helpful. Kind of the prestep to the pre approval. Knowing your credit we talked about because people don’t. And you, we are not, when somebody comes in for a preapproval or refinance and we pull their credit no bank is allowed to give you that credit report. A lot of people are like hey can I have that and we cannot do that. But everybody is eligible for a free credit report once a year called annual credit report .com and that’s usually where we refer people to get so they can see because I can’t tell you how many times I meet with people and I pull their credit and oh you know you’ve got this on here a late payment of a collection and they had no idea. And I truly believe they have no idea, maybe they’ve moved, maybe a statement went to them, so it’s important to know what your credit report looks like, to keep on top of that. A lot of people do the credit tracker kind of things where every time somebody pulls your credit you get an email which I think is really beneficial I mean that if you had identity theft it would catch it right there before it got out of hand.

Nadeen: And when people come in and their credit could have some repair to it, there’s that what’s it called.

Lipscomb: My home map. So it’s somebody, say somebody’s credit is not quite up to par, then we have a source where they can talk to an agency, like ok here’s what you can do, I personally don’t believe that those credit repair, they’ll charge you money, I don’t know that they can really make a difference but this is what you can do it may take time, but here’s some things. Pay down your credit cards, that helps your score. Do certain things. So that’s really helpful. That’s something we have called my home road map. So knowing your credit, huge because interest rate is based off of credit score in part, so that’s huge, as well as insurance rates have to have manageable debt. Down payment, we do have some down payment options but I, we, there are very few, even with the RD loan, the rural development where you can get maybe zero down, you still have some closing costs typically, there’s appraisal fee involved in the beginning, you’ve got to have some money put aside, plus you’ve got to have some qualification. It always looks better to have some reserves set aside. So I would say savings, uh proof of income is huge, we touched a little on this. If they want they’re gonna verify your employment and your income but if you’ve got lots of other things coming into your bank account they want to know what that’s from. It has to be documentable because you could be borrowing money, that kind of thing, so you know, keeping good recordings, keeping money in the bank, there’s people that don’t use banks. We see them sometimes they’re not comfortable. They keep cash. We cannot use that usually because it’s not documentable we don’t know where it came from. It has to be sourced. That’s why we ask for the two month banking statements to make sure that they’ve had it and they didn’t just have this windfall all of a sudden.

Lipscomb: And then again there are certain circumstances where I think that that’s appropriate and as long as that’s explainable that’s ok. Those are probably the big things we’ve covered at least a little bit.

Lipscomb: I think something that I try to educate people about, not only is I think something about owning a home is that it’s something that a lot of people aspire to, you know,it’s kind of how I was raised, you grow up, you buy a house, maybe you get married. But it’s that pride of ownership, it’s that stability, it’s also, in my opinion, the single best tax write-off we have. The mortgage interest is deductible- there’s so few out there for most people. It’s a really good investment, historically real estate has increased. You know, it’s gone up and down a little bit, but historically it’s a good asset- it’s not going anywhere. It’s a good place- a good investment, I think. I’m in the business of course, but it’s a good investment.

ISABEL: Do you know how many loans you’ve originated in the last year? What’s the scale we’re talking about here?

Lipscomb: This office? We’ve gone up and down with people a little bit, so we probably were- it was just me for a little while, I would say we average five, six… Last month we did twelve, it was a really good month, and it was pretty much between two of us, because we’ve got a couple new people. So, it varies but I’d say this year we’d probably do at least sixty loans out of this office.

ISABEL: In a year?

Lipscomb: Yes.

ISABEL: So, is that normal?

Lipscomb: I would say it’s normal, but again with different people in and out, I would say that I personally do forty, at least, in a year, that’d be a little over three a month. At least forty, probably between forty and fifty.

Isabel: Is there anything else I’m missing? Anything else you want to add?

Lipscomb: I can’t think of anything-- I think your questions have been really good. We didn’t touch a lot on HMDA I don’t know if you wanted-- sounds like you’re pretty knowledgeable on that. That is something we do on every single application, that’s part of the application, different portions of it as you probably know, a very important part of government monitoring. But, no, I think you’ve- that’s basically it, like I said there’s so much that goes into it, but for the basics I think that’s it.