Becoming a Mortgage Broker

Homeownership Council of America’s CLIMB
Community Lending Initiatives in Mortgage Banking
Meet Our Partners at Fannie Mae

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Welcome!
CLIMB with HCA;
Becoming a Mortgage Broker
National Nonprofit
• As a 501c3, we serve our mission by providing unique services to other nonprofits, CDFIs, and community lenders supplying access to credit for the underserved.

Uniquely Experienced
• Our team brings a long history of mortgage lending, nonprofit housing, HUD-approved services, and CDFI management.

Effective and Impactful
• We have transformed each organization we work with, bringing them valuable knowledge, concrete processes, enhanced product offerings, and a better-prepared team. We facilitate growth and success.
Building equitable access to credit for America’s underserved communities.

We work with CDFIs, Investors, and others to build LMI and minority credit access, products, and mortgage delivery systems.
Today’s Objectives

• Evaluate your organization’s potential lending abilities.

• Understand the steps necessary to build a mortgage brokerage.

• Determine the roles and staffing needs for launching a mortgage brokerage.

• Identify potential lending relationships.
What is a Mortgage Brokerage?

• A Mortgage Brokerage is a licensed entity who works as the middleman between homebuyers and home loan lenders.

• Mortgage Brokerages employ Mortgage Loan Originators (MLO) to work directly with prospective homebuyers or homeowners wishing to refinance a current home loan to connect them with the best-fit mortgage lender for their financial needs.

• Mortgage Brokers do not lend their own money.

• Mortgage Brokers do not underwrite or approve mortgages. They originate, prepare and submit mortgage applications to a mortgage lender.
What is a Mortgage Brokerage?

**Mortgage Broker**
- Brings borrowers & mortgage lenders together
- Helps borrowers find the best mortgage through a variety of lenders’ products & quotes
- Paid by lenders to originate the loan (generally 2-2.5%)
- Responsible for borrower communication from application to approval

**Direct Lender**
- A bank or financial institution that approves & funds mortgage loans
- Lends its own funds for a suite of products
- Compensated from loan sales to investors & a variety of fees & charges
- Responsible for final processing & disclosures, underwriting, closing/funding
Steps to Becoming a Brokerage

1. Board Approval
2. Review NMLS Mortgage Broker License Checklist for your state (exempt/non)
3. Identify Qualifying Individual
4. Address staffing gaps
Steps to Becoming a Brokerage

- Review current insurance policies for any additional needs (E&O/Professional)
- Obtain Surety Bond, if required.
- Submit application to NMLS.
- Receive approval.
Mortgage Brokerage Staff Structure

Director of Lending

Processor (compliance & lender focused)

Junior Processor (if enough volume)

Mortgage Loan Originator

Mortgage Loan Originator

Mortgage Loan Originator

Mortgage Loan Originator

Amplifying Our Collective Voice
7th Annual Native CDFI Capital Access Convening June 28-30, 2022 - Virtual
Typical Volumes Per Position

• Processors for Brokers can handle 40 active loans in their pipeline.
  • Note: Origination of both a 1<sup>st</sup> and 2<sup>nd</sup> / DPA should count as <strong>two</strong> loans.
  • Half of an active pipeline can close each month. Average 10-20 closings.
  • The number of closings should be matched with new files to maintain a full load and consistent closings.

• MLOs <strong>should produce 3-5 loan closings</strong> per month, and <strong>5-9 new applications</strong>
  • The typical ratio of MLOs to Processors is 3 MLOs : 1 Processor.
  • MLOs are typically commissioned salespeople.
Questions & Answers
Client Sales Funnel

CLIENT FUNNEL

LEADS - TRIAGE

ASSIGNED BY MORTGAGE-READINESS

MLO PRE-QUALIFICATION

PROPERTY PURCHASE

CLOSING
# Finding Wholesale Lending Relationships

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Headquarters</th>
<th>Wholesale Volume</th>
<th>Total Volume</th>
<th>% Wholesale Volume</th>
<th>Total Closed Loans</th>
<th>Originators</th>
<th>States</th>
<th>Yrs. In Biz</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United Wholesale Mortgage</td>
<td>Pontiac, MI</td>
<td>$226,503,692,507</td>
<td>$226,503,692,507</td>
<td>100%</td>
<td>654,450</td>
<td>-</td>
<td>50</td>
<td>35</td>
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<tr>
<td>2</td>
<td>Homepoint</td>
<td>Ann Arbor, MI</td>
<td>$69,450,704,346</td>
<td>$96,203,396,199</td>
<td>72%</td>
<td>280,744</td>
<td>58</td>
<td>50</td>
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<tr>
<td>3</td>
<td>loanDepot</td>
<td>Foothill Ranch, CA</td>
<td>$20,819,057,935</td>
<td>$137,020,699,048</td>
<td>15%</td>
<td>392,832</td>
<td>1841</td>
<td>50</td>
<td>12</td>
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<tr>
<td>4</td>
<td>Caliber Home Loans Inc.</td>
<td>Coppell, TX</td>
<td>$20,807,139,523</td>
<td>$80,996,303,092</td>
<td>26%</td>
<td>266,797</td>
<td>1617</td>
<td>50</td>
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<tr>
<td>5</td>
<td>PennyMac Loan Services LLC</td>
<td>Westlake Village, CA</td>
<td>$16,759,314,000</td>
<td>$234,467,185,026</td>
<td>7%</td>
<td>789,153</td>
<td>593</td>
<td>49</td>
<td>15</td>
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<td>6</td>
<td>Newrez LLC</td>
<td>Fort Washington, PA</td>
<td>$9,148,926,138</td>
<td>$97,613,762,243</td>
<td>9%</td>
<td>336,896</td>
<td>510</td>
<td>50</td>
<td>14</td>
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<tr>
<td>7</td>
<td>Homebridge Financial Services</td>
<td>Iselin, NJ</td>
<td>$7,714,495,837</td>
<td>$23,474,293,899</td>
<td>33%</td>
<td>64,476</td>
<td>697</td>
<td>49</td>
<td>33</td>
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<tr>
<td>8</td>
<td>Finance of America Mortgage</td>
<td>Conshohocken, PA</td>
<td>$6,551,748,241</td>
<td>$29,434,385,007</td>
<td>22%</td>
<td>80,399</td>
<td>1390</td>
<td>50</td>
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<tr>
<td>9</td>
<td>Plaza Home Mortgage</td>
<td>San Diego, CA</td>
<td>$6,495,810,838</td>
<td>$11,337,230,655</td>
<td>57%</td>
<td>36,611</td>
<td>-</td>
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<tr>
<td>10</td>
<td>Paramount Residential Mortgage Group Inc.</td>
<td>Corona, CA</td>
<td>$5,192,272,773</td>
<td>$16,925,552,060</td>
<td>31%</td>
<td>53,297</td>
<td>1019</td>
<td>48</td>
<td>20</td>
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</table>
Offering something for everyone is important to both clients and partners, and gives you a range of loan options to “shop” with and for your borrower:

• HUD 184
• USDA
• Conventional
• FHA
• VA
• State HFA
Questions & Answers
Running a Mortgage Brokerage

Identify investors (Quicken, United Wholesale, etc.) and gain approvals

Hire Mortgage Loan Originators – Commissioned Salespeople.
  • Determine the best way to “shop” and compare all your wholesale loan product options for your customers

Each MLO should originate 3 loans per month.

Ensure you have a well-trained processor to support your MLOs.
  • Training available through Mortgage Bankers Association
  • Each wholesale lender will have training supports for their brokers

Market your services to Realtors, partners, and the community you serve consistently.
  • Focus on great customer service – lending has proven to be more of a service than a product business.
Evaluating Your Organization

- Lots of demand and new clients meeting org.
- Natural partners with referral sources
- DPA to leverage 1st mortgages
- Market growth and new inventory
- Build on existing 2nd mortgage/DPA offering
- 1-Stop for homebuyers

- Low demand or client volumes
- Lack of referral partners
- No experienced lending staff
- Only attracting low and very low-income clients
- Little to no capital to launch new brokerage
- Lack of home inventory
- Competition in market
Questions & Answers
HCA Lending Ladder for Nonprofits & CDFIs
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**Packaging**
- Fees: $250 - $800

**DPA Lending**
- Program Admin & Fees: $250 - $1,750

**1st Mortgage Broker**
- Package & Processing Focused
- NMLS & State Broker Licensing Required
- Full Broker license 4-8 months
- Wholesale & Mini-Correspondent Channels
- Minimal Recourse
- Depends on broker loan volume & capacity
- A warehouse line of credit required

**1st Mortgage Non-Delegated / Mini-Correspondent**
- 2% on Origination
- 2% on Origination + Fees

**Warehouse Funds**
- 3% Margin Origination + Fees

**1st Mortgage Correspondent Lending / Mortgage Banker**
- Warehouse Banking Loans
- Full-Delegated Service
- Lending on Recourse
- Underwriting Decision Made In-house
- State Lender Licensing (or Exemption) Required
- 6-12 months of successful lending based on experience, capacity & volume

**Direct Lending for Secondary Markets / GSE Seller-Servicer**
- Hedging & Gain on Sale
- Servicing or Release Revenues
- Pool & Sell Warehouse
- 4% Margin + Fees + SRP

**Packaging Agreements Process:**
- No Licensing Required
- 30 days or less to launch

**DPA Program Administration**
- No Licensing Required
- With Capital 30-60 Days & Without 8 to 12 mos. to launch

**Warehouse Line of Credit in Nonprofit Name Funds Loan**
- $200,000 1st Mortgage Loan Amount Example
HCA Community Nonprofit Partners in Lending
Capacity Building Overview
Contact HCA

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