

# Mortgage Broker to Banker Road Map to Success

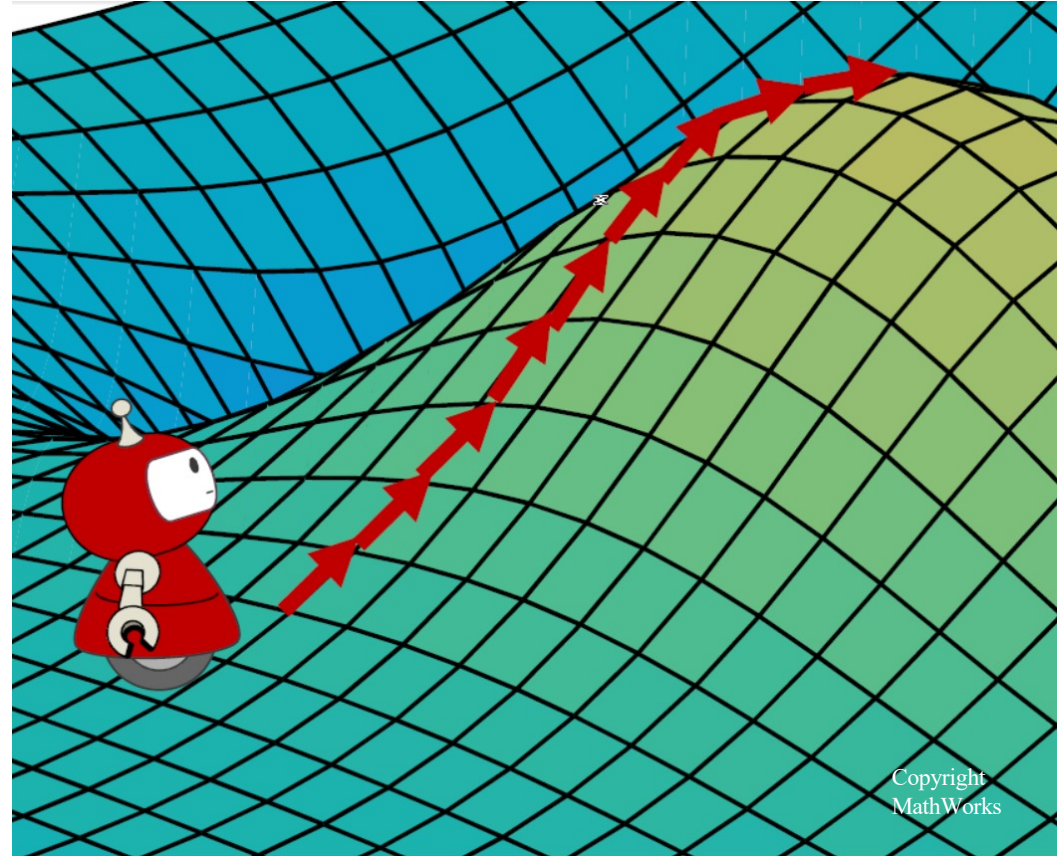
Dr. Andy Schell

DBA (Ph.D.), MSML, MBA, CPA/CFF, CMB



# Audience

This presentation is created to describe the steps from being a mortgage broker to becoming a mortgage banker with the intent to help mortgage brokers and mortgage originators appreciate the complexity associated with the journey.



Copyright  
MathWorks





# Mortgage Broker Tasks

## Mortgage Broker (wholesale)

- Select LOS to support application activity
- Create regulatory compliance process
- Identify lead source channel
- Creates mechanism to interact with applicant
- Access loan pricing
- Receive an application
- Send application and customer data to Lender
- Receives Yield Spread Premium payment from Lender



# A Mortgage Banker is a Loan Manufacturer

Mortgage Banking is 10X  
more complex than  
being a Mortgage Broker



# Facts about being a Mortgage Bank CEO

The CEO of a Mortgage Banker must Coach, Lead, and Manage -  
Plan, Organize, Delegate, Implement, and Measure

It is not common for a great Mortgage Broker (Originator)  
to be a great Mortgage Banker CEO

A superstar NFL wide receiver is rarely a great NFL Coach



# Every Successful Company Has .....

## Strategy

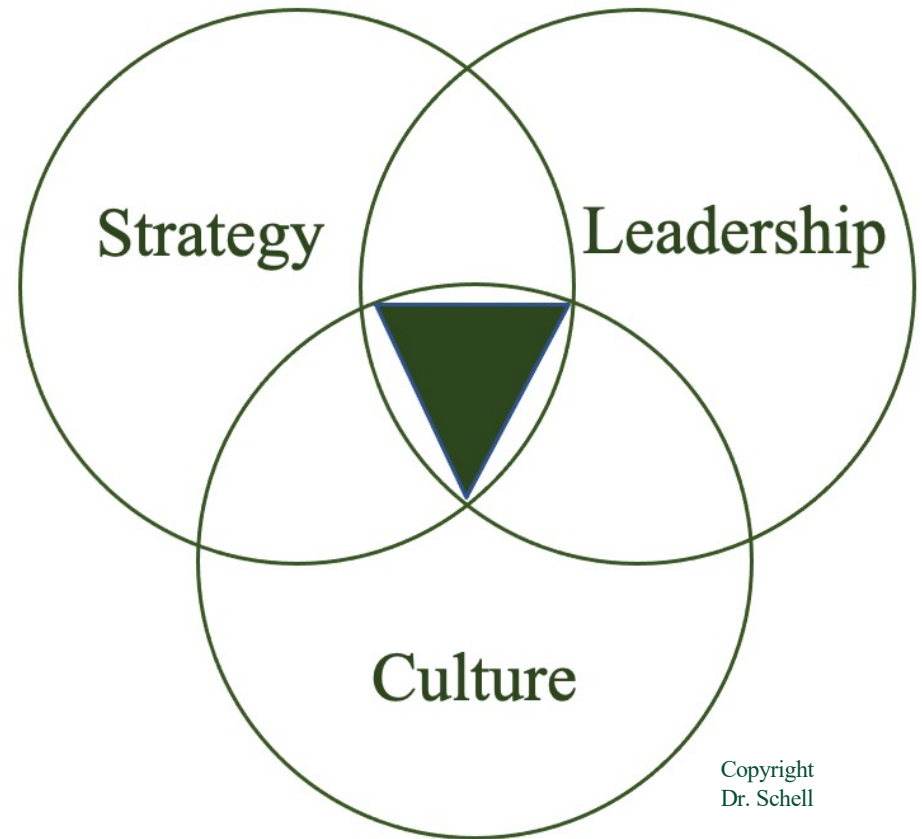
Mission, Vision, Value, Plan

## Leadership

Coach, Manager, Leader

## Culture

From Strategy & Leadership



Copyright  
Dr. Schell





# Mortgage Manufacturing Factory

Every mortgage lender must implement the following  
Policies, Procedures, and Systems  
before closing the first loan as a Lender:

NMLS reporting, CFPB CMS  
Fidelity, E&O, State License  
Fair Lending, AML/SAR  
OFAC, AIR (Appraiser)  
Red Flags, Compliance,  
Disclosures, Electronic Disclosures,  
HMDA, ECOA, RESPA, TILA  
Customer protection,  
Telephone Protection,  
Patriot Act,  
Segregated Escrow Deposit  
Accounting for each Loan  
Training & Audits  
UW Guidelines even if selling  
UW Exception Policy

Secondary Lock Desk  
Fraud, Detection  
Prefunding & Post funding QC  
FCRA/FACTA, RMLA/FC  
QM & ATR, HPML, HOEPA  
LO Compensation  
Know before you Owe  
Adverse Action, WD, SOD,  
Advertising, Marketing,  
Social Media and Compliance  
Privacy Policy, SAFE Act  
UDAP, Lobby/Branch Posting  
POS, LOS, PPE, CRM  
System design and configuration  
System updates and testing

Servicing Policy (interim)  
Interim Servicing system  
Consumer Complaints  
Anti-Predatory  
IT – Security  
IT - Cyber Security Incident Response  
IT – Change Management  
IT – DR BCP  
IT – Risk Assessment  
Vendor Management  
Record Retention  
Accounting System for each Loan  
FDCPA  
First Payments & 1098  
QWR



# Mini Correspondent – Dfn is FUZZY

Every Mini Correspondent that closes a loan in their name must have a loan level accounting system or face regulatory violations for fiduciary funds fraud

Mini Correspondent (investor funded closing)

- Investor's funds are used to close the loan in the Broker's name
- Any closed but not sold loan is a Loan Held for sale (LHFS)
- Escrow funds from the customer must be segregated
- Must have an accounting system: QuickBooks enhanced
- A LHFS is a manufactured asset
- Collection of a first payment is subject to FDCPA
- Advisory support from mortgage accountant





# Banker Stage 1 - also called Mini-Corr

## Stage 1 - Beginning Banker - Capital \$500K

- Don't run out of money – Have a Financial Forecast
- Don't add staff until revenue support additional expense
- One captive warehouse line
- Use Non-delegated underwriting to save money
- Add Conventional only underwriting: no underwriting employee
- If HUD, hire DE underwriter and apply for approval
- All loans are Servicing Released
- QuickBooks Accounting and CFPB required CMS
- Volume of approximately \$60 million per year
- Advisory support from a mortgage accountant



# Banker Stage 2 – increased control & cost

## Stage 2 – Competent Lender – Capital \$2 million

- Multiple warehouse line with few restrictions
- Delegated underwriting to multiple investors
- Underwriting employee for FHA loans and conventional
- Processing, Closing & Post closing function become in-house
- Servicing released
- Advisory support from mortgage accounting using QuickBooks
- Create CFPB CMS
- Volume of approximately \$300 million per year
- Pre-tax profit above 30 bp on volume –
  - lowest profitability until growth increases



# Banker Stage 3

## Stage 3 – Hedging Begins – Capital \$5 million

- Same as 2
- Start Hedging and Mandatory Delivery
- Add 4 or 5 broker dealer trade lines
- Warehouse banks approve hedging
- Accounting is more sophisticated – need access to CFO
- Internal reporting is more sophisticated
- QuickBooks Accounting or better; CMS
- Volume of approximately \$900 million per year





# Banker Stage 4 & 5

## Stage 4 – Hedging Competency

- Same as 3
- Achieved Hedging Competency

## Stage 5 – Servicing Retained Begins – Capital \$10 million

- Same as 4
- Add Servicing Capability with Agency delivery
- Ability to support cash-flow impact of retaining servicing
- Accounting is more sophisticated
- Internal reporting is more sophisticated
- Volume of approximately \$2 billion per year



# Banker Stage 6 & 7

## Stage 6 – Servicing Competency

- Same as 5
- Achieve Servicing Competency

## Stage 7 – Agency Securitization – Capital \$20 million

- Same as 6
- Add custodial relationship and MBS approval
- Has well run servicing platform
- Volume of approximately \$4 billion per year



# Banker Stage 8 & 9

## Stage 8 – Securitization Competency

- Same as 7
- Competency in Securitization

## Stage 9 – REMIC & REIT & Private Label –

- Same as 8
- Increase Capital \$50 million
- Add top tier capital markets presence





# Banker Stage 10

## Stage 10 – As Good As it Gets

- Profitable
- Stable
- Efficient
- Compliant in all areas
  
- May or may not include Stage 9
- Volume of \$8+ billion



# Road Map to Success

Dr. Schell and the MBS team will examine  
your ability to be a Mortgage CEO  
and then help you create your  
Road Map to Success to  
Achieve any Stage of Mortgage Banking

# For More Information Contact:

DoctorSchell@MBS-Team.com  
[www.MBS-team.com](http://www.MBS-team.com) 512-501-2820