

The ABC's of Mini-Correspondent with the CFPB and Friends

Participants:

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Overview:

The primary topics covered in the session.

- **What was the intent of the CFPB Guidance Memo issued July 11, 2014?**
 - The intent of the CFPB Guidance letter was to provide clarity to the regulations already in place. If an entity wanted the advantages of being a correspondent lender then that entity must look and act like a correspondent lender.
- **How does the CFPB view the Mini-Correspondent Channel?**
 - The CFPB sees the Mini-Correspondent Model as a valuable transition model and training ground for Brokers seeking to become Bankers.
- **Should the Broker planning on functioning as a Mini-Correspondent have a plan to transition to Correspondent Lender and if so who is responsible for developing such a plan?**
 - Yes, there should be a plan. The broker/mini-correspondent is central figure to any transition plan relative to his own company. He may negotiate different metrics for progression with different investors, but the common element to any transition plan is a commitment on the part of the broker/mini-correspondent to make a transition. Though a plan should contemplate a shifting of lender's responsibilities and related risks over time from mortgage investor to the broker/mini-correspondent/correspondent. No special timeline is required. Instead, a best practice would likely involve tracking agreed-upon metrics. The mortgage investor relationship with the broker/mini-correspondent may not be a one-size-fits-all, hence the emphasis on tracking performance and quality metrics. The overall goal of any plan is to document the strategic plan for transitioning from broker originator to correspondent lender.
- **What is involved with making a transition plan for a mini-correspondent?**
 - The Broker/Mini-Correspondent and the mortgage investor(s) must agree on what would be required to become a Correspondent and how it differs from where the Broker is now. The transition plan itself is essentially the codifying of

the steps/stages to be taken in order to be a Correspondent. Defining the metrics acceptable to mortgage investors is an important part of the transition plan. Defining how the shifting of responsibilities and risk over time with the mortgage investors is an important part of the transition plan. The Broker/Mini-Correspondent may or may not become a traditional Correspondent Lender depending on their desire and ability to achieve and maintain all agreed-upon metrics.

- **Final Thoughts**

- Have a plan.
- Choose good business partners (Investors, Warehouse Lender)
- Be compliant