



RETRAINEE - JOB CREATION

Training Proposal for:

American Financial Network, Inc.

Agreement Number: ET16-0370

Panel Meeting of: February 26, 2016

ETP Regional Office: North Hollywood

Analyst: M. Reeves

PROJECT PROFILE

Contract Attributes:	Retrainee Job Creation Initiative	Industry Sector(s):	Financial Services Priority Industry: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Counties Served:	Statewide	Repeat Contractor:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Number of Employees in:	CA: 621	U.S.: 1,010	Worldwide: 1,010	
<u>Turnover Rate:</u>	17%			
<u>Managers/Supervisors:</u> (% of total trainees)	10%			

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	=	(High Earner Reduction)	=	Total ETP Funding
\$201,075		\$0		\$0		\$201,075

In-Kind Contribution:	100% of Total ETP Funding Required	\$267,393
------------------------------	------------------------------------	-----------

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee	Business Skills, Commercial Skills, Computer Skills, Continuous Imp.	611	8-200	0-28	\$225	\$15.60
				Weighted Avg: 15			
2	Retrainee Job Creation Initiative	Business Skills, Commercial Skills, Computer Skills, Continuous Imp.	212	8-200	0-28	\$300	\$12.77*
				Weighted Avg: 15			

*It will be made a condition of contract that the trainees in this Job Number will never be paid less than the State or local minimum wage rate as in effect at the end of retention (Final Payment) regardless of the wage expressed in this table. The highest minimum wage rate will prevail.

Minimum Wage by County: Job Number 1: \$17.02 for Alameda, Contra Costa, and Santa Clara counties; \$16.51 for Orange; \$16.48 for Los Angeles; \$16.46 for San Diego; \$16.10 for Sacramento; and \$15.60 for Fresno, Kern, Monterey, Placer, Riverside, San Benito, San Bernardino, San Luis Obispo, Santa Barbara, Santa Cruz, Shasta and Sonoma counties.

Job Number 2 (Job Creation): \$14.19 for Alameda, Contra Costa, and Santa Clara counties; \$13.76 for Orange; \$13.73 for Los Angeles; \$13.72 for San Diego; \$13.42 for Sacramento; and \$12.77 for Fresno, Kern, Monterey, Placer, Riverside, San Benito, San Bernardino, San Luis Obispo, Santa Barbara, Santa Cruz, Shasta and Sonoma counties.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Up to \$2.57 per hour (Job Number 1 and 2) may be used to meet the Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Servicing/Secondary Marketing/Compliance Staff		13
Administrative Staff		21
Loan Officer		168
Operations Staff		264
Sales Staff		74
Supervisor/Manager		71
Job Number 2 (Job Creation)		
Servicing/Secondary Marketing/Compliance Staff		10
Administrative Staff		20
Loan Officer		80

Operations Staff		52
Sales Staff		40
Supervisor/Manager		10

INTRODUCTION

Founded in 2001, American Financial Network, Inc. (AFN) (www.afncorp.com) is a national mortgage banking firm that serves the lending needs of real estate professionals, builders, and individual homebuyers throughout the United States. AFN is a direct lender with delegated authority to underwrite, fund, and service Fannie Mae, Federal Housing Administration, U.S. Department of Agriculture, U.S. Department of Veterans Affairs, and Jumbo loan products in-house. Headquartered in Brea, the Company has over 90 branches in California and various locations throughout the country. All California locations will participate in training.

AFN's approval to sell and service Fannie Mae and Ginnie Mae loans has expanded the Company's business capacity, while opening up credit to new borrowers. AFN has experienced a significant increase in business volume over the past two years, and the Company must prepare new and existing staff with the skills to serve this growth. Specifically, AFN has seen departmental growth in the following areas:

- **Call Center Retail Lending** (inbound service calls) – The Company has seen a dramatic increase in business from the internet, direct mail, and other proprietary marketing channels.
- **Outside Retail Lending** – AFN is seeing an increase in loan business from realtors and other referral networks that lack sufficient resources and talent to handle their volume.
- **Wholesale Lending** – The Company has expanded its wholesale lending to service brokers around the country.
- **Loan Servicing** – AFN has grown its servicing book from \$0 to approximately \$28 million in just over a year.
- **Overseas Operation** – AFN has begun hiring more employees to form additional Compliance and Junior Underwriting teams in California to bring certain business functions back from overseas.

Retrainee - Job Creation

The Panel offers incentives to companies that commit to hiring new employees. Training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

In this proposal, AFN has committed to hiring 212 new employees (Job Number 2) to support the Company's aggressive expansion efforts in California. AFN has significantly expanded the products and programs available to its customers, and has increased its marketing plan to sustain three times the business compared to two years ago. The Company plans to open 10-15 new offices, specifically in Northern California. This expansion will help support AFN's larger goal to increase its footprint from 23 states to over 42 states where the Company is approved to provide lending services.

The newly-hired employees will be hired across multiple occupations within the term of the Contract, and will require extensive training to develop the skills needed to support these growth plans.

The date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. These trainees will be hired into “net new jobs” as a condition of contract.

PROJECT DETAILS

AFN has identified the following areas of emphasis that are driving the current need for training and improvement:

- **Loan Products:** With the increase in new and existing loan products, the Company must provide training to ensure that employees and customers fully understand product benefits and drawbacks.
- **Sales Systems:** AFN is developing new Mobile/Web applications designed to automate the loan origination process. Training is vital to ensure this process is performed correctly and in compliance with regulatory requirements.
- **Originating Systems:** The Company is constantly improving/upgrading its loan originating software (Encompass) to ensure that business processes continue to follow AFN standards and regulatory requirements. Employees at all levels of the organization require computer skills training to stay current on system upgrades and improvements.
- **Standard Process Flow:** The Company has identified a need to establish a business structure that provides complete, detailed steps towards improving operational efficiencies. This formalized approach comprises quality improvements, problem solving, reporting procedures, new branch start-ups processes, and change management.

The process of buying and financing a home is shifting more towards Mobile/Web platforms and AFN has taken steps to adapt to this change in order to attract and maintain business through new sources of technology. The Company utilizes multiple software tools (iConnect, AFNListed, AFN On-the-Go and Encompass360) to sell and service its products, and the proposed computer skills training is designed to improve worker productivity and operational efficiency. However, AFN continues to provide customer service at its various branches located throughout California.

Training Plan

Training will take place at AFN locations throughout California, and will be provided by both in-house subject matter experts and outside vendors to be identified during the contract term. The majority of training will be delivered via class/lab; however, some training will be conducted via E-learning and/or computer-based training (CBT). CBT training will consist of industry-specific modules to reinforce learning.

Business Skills (30%) - Training will be offered to all occupations. These modules are designed to help employees improve communication skills, loan product knowledge and customer service skills. Trainees will learn to perform business-related tasks with greater confidence and efficiency, while interacting effectively with internal and external customers.

Commercial Skills (30%) - Training will be offered to all occupations. Training will cover industry-specific topics relating to loan origination/processing, lending guidelines and homebuyer qualifications. CBT modules will capture the appraisal process, underwriting and general mortgage knowledge.

Computer Skills (15%) - Training will be offered to all occupations. This training will help staff become proficient in business software solutions (proprietary and nonproprietary) in key areas of

appraisal management, automated underwriting, sales presentations, loan administration, customer relationship management and mortgage servicing.

Continuous Improvement (25%) - Training will be offered to all occupations. This training will focus on process improvements and problem solving methodologies that enhance productivity and promote teambuilding. Trainees will develop skills to make informed decisions and provide practical solutions to customer-related issues.

Commitment to Training

AFN spends approximately \$200,000 annually on training for its California facilities. Ongoing company-funded training consists of new-hire onboarding, management/leadership skills, sales, marketing and industry regulation topics. ETP funds will not displace the existing financial commitment to training.

➤ Training Infrastructure

AFN has identified internal lead personnel to centralize the management of this project, and the Company is prepared to commence training upon approval of this proposal. The Company plans to hire additional staff to assist with tracking, scheduling and reporting. AFN has also retained an outside administrative consultant to ensure that training administration and documentation adheres to ETP requirements.

RECOMMENDATION

Staff recommends approval of this proposal.

DEVELOPMENT SERVICES

Training Funding Source in Seal Beach assisted with development of this proposal for a flat fee of \$12,900.

ADMINISTRATIVE SERVICES

Training Funding Source will also perform administrative services for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab/Videoconference/E-Learning Hours**

8 - 200

Trainees may receive any of the following:

BUSINESS SKILLS

- Communication Skills
- Customer Service
- Leadership Skills
- Performance Management
- Process, Policies and Procedures
- Product/Service Knowledge
- Time Management

COMMERCIAL SKILLS

- Lending Guidelines
- Loan Origination, Processing, Funding
- Locking Loans
- Qualifying Homebuyers
- Secondary Marketing
- How to Handle Operational Challenges
- Bank Secrecy Act Requirements
- Fraud Prevention Training

COMPUTER SKILLS

- ADP Payroll Systems
- Automated Underwriting Engines
- Appraisal Management Company Sites
- iConnect CRM (Proprietary Marketing Tool)
- Encompass (Sales, Processing, Underwriting, Funding, Post Closing, Accounting)
- Loan Administration
- Local Area Network/Wide Area Network
- Mavent
- Mortgage Servicing Platform
- MS Office Sales Presentations
- Network Admin & Management

CONTINUOUS IMPROVEMENT

- Problem Solving
- Process and Performance Improvement
- Process Audit
- Profit and Productivity Improvement
- Quality Improvement
- Sales
- Team Building

CBT Hours

0 – 28

COMMERCIAL SKILLS

- Loan Origination in the World of Fair Lending (1 Hour)
- Processing Loans Considering Anti Money Laundering Policies and Procedures (1 Hour)
- Originating Mortgages and Avoiding Unfair Deceptive Abusive Acts or Practices (1 Hour)
- Red Flags when Processing and Originating Mortgage Loans (1 Hour)
- Customer Service Representative Training Program (1 Hour)
- Home Mortgage Processing after the Financial Crisis (2 Hours)
- Uniform Residential Loan Applications (2 Hours)
- Residential Mortgage Banking & Finance (2 Hours)
- Mortgage Loan Processing 101 (2 Hours)
- Understanding the Appraisal Process (1 Hour)
- The FHA Factor in Mortgage Lending (2 Hours)
- Underwriting Home Mortgages (2 Hours)
- Understanding How to Originate Loans around The Truth in Lending Act (1 Hour)
- Protecting Consumers through the Fair Credit Reporting Act (1.0 Hours)
- Plain & Simple-Step by Step New Integrated Disclosure to Consumers (1 Hour)
- How to Process a Title Insurance Report (1 Hour)
- Ethical Dilemmas, The Fight Against Fraud (1 Hour)
- How to Originate Loans Considering the Equal Credit Opportunity Act (1 Hour)
- General Mortgage Industry Knowledge (2 Hours)
- Privacy of Consumer Financial Info (2 Hours)

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. CBT is capped at 50% of total training hours, per trainee.