



**RETRAINEE - JOB CREATION**  
**Training Proposal for:**  
**Stearns Lending, LLC**  
**Agreement Number: ET16-0460**

**Panel Meeting of:** May 26, 2016

**ETP Regional Office:** San Diego

**Analyst:** J. Davey

**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:	Alameda, Contra Costa, Fresno, Los Angeles, Mendocino, Monterey, Orange, Placer, Riverside, Sacramento, San Bernardino, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Sonoma, Stanislaus, Ventura	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 955	U.S.: 1,799	Worldwide: 1,799
<u>Turnover Rate:</u>	12%		
<u>Managers/Supervisors:</u> (% of total trainees)	16%		

**FUNDING DETAIL**

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	<b>Total ETP Funding</b>
\$201,980		\$0	\$0		\$201,980

In-Kind Contribution:	100% of Total ETP Funding Required	\$475,633
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**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 Impr	948	8-200	0-4	\$210	\$15.60*
				Weighted Avg: 14			
2	Job Creation Initiative Retrainee	Business Skills, Commercial Skills, Computer Skills, Continuous Impr	5	8-200	0-10	\$580	\$12.77*
				Weighted Avg: 29			

\*It will be made a condition of contract that the trainees in these Job Numbers 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: Alameda, Contra Costa, San Mateo, San Francisco, Santa Clara Counties – \$17.02/hr.; Los Angeles County – \$16.48/hr.; Orange County – \$16.51/hr.; Sacramento County – \$16.10/hr.; Fresno, Mendocino, Monterey, Placer, Riverside, San Bernardino, San Joaquin, Santa Cruz, Sonoma, Stanislaus, Ventura – \$15.60/hr.

Job Number 2: Newly-Hired Retrainees – Alameda, Contra Costa, San Mateo, San Francisco, Santa Clara Counties – \$14.19/hr.; Los Angeles County – \$13.73/hr.; Orange County – \$13.76/hr.; Sacramento County – \$13.42/hr.; Fresno, Mendocino, Monterey, Placer, Riverside, San Bernardino, San Joaquin, Santa Cruz, Sonoma, Stanislaus, Ventura – \$12.77/hr.

**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 \$1.75 per hour may be used to meet the Post-Retention Wage for both Job Numbers.

**Additional Compensation:** (Commissions) Sales Staff (Job Numbers 1 & 2) earn a portion of their income in the form of commissions of between \$6.00 to \$10.00 per hour based on the total monthly funded volume to determine the commission tier. The corresponding basis points (tier) are applied to the funded volume to calculate gross commissions.

**Wage Range by Occupation\*\***

Occupation Titles	Wage Range	Estimated # of Trainees
Administrative Staff		9
Operations Staff		365
Sales Staff		239
Supervisor/Manager		155
Technical Staff		180
<b>Job Number 2 – Newly-Hired Retrainees</b>		
Operations Staff		2
Sales Staff		2
Technical Staff		1

\*\*Trainees will meet the Post-Retention wages of the respective counties in which they work.

## **INTRODUCTION**

Founded in 1989, Stearns Lending, Inc. (Stearns) is a privately owned mortgage bank headquartered in Santa Ana. Stearns is licensed and approved to conduct mortgage banking in 46 states with federally guaranteed loan programs (HUD, Fannie Mae, Freddie Mac, FHA, etc.). Stearns also provides jumbo, conventional and portfolio loan products.

Stearns is eligible as a single employer for standard retraining under the out-of-state competition provisions outlined under Title 22, California Code of Regulations (CCR), Section 4416(f), for mortgage packaging and sales/servicing provided on behalf of its customers located both inside and outside of California.

## **PROJECT DETAILS**

The first ETP-funded project was focused on providing training in the Company's proprietary loan origination and processing software, which was being upgraded. That project resulted in the creation of a distinct training department. For this proposal, training will focus on delivering the skills necessary to process loans more efficiently and effectively with higher performance standards.

In recent years, Stearns has had to establish loan origination, processing, and funding processes that meet stricter federal regulatory requirements, customer requirements, and investor and seller demands. The Company finds that it is critical to maintain current training practices with updated material.

### **Retrainee - Job Creation**

Stearns is expanding its existing business capacity due to an increase in volume of loans (loan originations). The Company has committed to hiring five new employees (Job Number 2). Trainees will be hired at Stearns' fulfillment centers in Costa Mesa or Walnut Creek where training will take place.

Trainees will be hired within the three-month period prior to the Panel approval or during the term of the contract. These trainees will be hired into "net new jobs" as a condition of contract.

### **Training Plan**

Stearns plans to begin training in June and will schedule training based on priorities at each training site. Training will take place at 54 Stearns facilities throughout the state.

**Business Skills (10%):** Training will be offered to all staff and includes job-specific training in Employee Engagement, Leadership, Sales and Change Management. Trainees will improve their skills for their current occupations and understand how they fit into the organization as a whole.

**Commercial Skills (40%):** Training will be offered to all staff and includes training in Appraisals & Property, Fees & Escrow, Loan Products, Underwriting Guidelines, Workflow, and other related topics. Trainees will be able to understand the Company's many products; how loans are originated, underwritten, and funded; and other industry skills.

**Computer Skills (40%):** Training will be offered to all staff and includes job-specific training in the Company's loan origination and processing software, and Microsoft Office (Intermediate and Advanced training in Word, Excel, PowerPoint, Access and Outlook). In addition, IT staff will learn skills in computer networks; database design, development, and maintenance; and other

application software. Trainees will learn how Stearns' loan origination applications drive the Company's business.

**Continuous Improvement (10%):** Training will be offered to all staff and includes training in Process and Performance Management and Profit and Productivity Improvement. Trainees will be able to identify opportunities for improvement in processing, productivity, and quality.

### **Computer-Based Training**

Stearns will provide up to 10 hours of Computer-Based Training (CBT) in Commercial Skills related to Fair Lending laws, Mortgage Fraud, Privacy, and other related mortgage laws and practices. CBT is the best method of providing these skills so that trainees can take training at their own pace.

### **Commitment to Training**

Although Stearns has a newly-created training department, it does not have a specific budget for training. Current training is being paid out of general operating expenses. In the past, Stearns has only been able to train on regulatory required training. Past training has been relatively unstructured and uncoordinated using mentors and limited to on-the-job approaches. Following the establishment of a dedicated training department, Stearns expects to dedicate resources to training beyond ETP funding.

Stearns provides mandatory and essential training based on crucial job functions, such as Retail Mortgage lending and Wholesale Account management. Additional funding would allow the Company to include new-hire training for fulfillment roles within all channels as well as ongoing training on key trends and industry changes.

Stearns represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law. Once ETP-funded training concludes, the Company is committed to continuing the quality and frequency of employee training and development activities to keep the organization on the leading edge of technology.

#### ➤ Training Infrastructure

Stearns training program will be administered/facilitated by a full-time member of the training team, who is experienced with maintaining organized, detailed records. The Company also retained Training Funding Partners to help with administration.

### **RECOMMENDATION**

Staff recommends approval of this proposal.

## **PRIOR PROJECTS**

The following table summarizes performance by Stearns under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET13-0184	Statewide	10/22/12 – 10/21/14	\$324,600	\$203,443 (63%)

During the course of the project, as training and development was in the process of being formalized, administration was dispersed to multiple channels, without defined responsibilities. This caused problems in tracking and administration of the ETP-funded project.

Stearns now has a fully functional training department, with an organized and defined training plan. The current proposal has been “right-sized” consistent with earnings on their first project.

### **Dedicated Team**

- Creation of a formal training department - As evidence of its commitment to learning and continuing education, Stearns’ training department now consists of 10 full-time employees, including a Senior Vice President, dedicated trainers, instructional designer, training coordinator, Learning Management System and defined processes.
- Communication strategy – The Company has learned the importance of frequent communication with the individuals who deliver training and record participation. They will have an executable strategy in place from the beginning of the program that includes frequent follow-up to site leaders and continuous, consistent tracking of training.

### **Technology**

Implementation of LMS, a new Learning Management System (Cornerstone on Demand) is in place. LMS will be used for scheduling and tracking sessions.

- It will not be used for Electronic Record Keeping, which would require additional elements to meet ETP requirements.

## **DEVELOPMENT SERVICES**

Stearns retained Training Funding Source in Seal Beach to assist with development of this proposal for a flat fee of \$9,500.

## **ADMINISTRATIVE SERVICES**

Stearns also retained Training Funding Source to perform administrative services in connection with this proposal for a fee not to exceed 13% of payment earned.

## **TRAINING VENDORS**

To Be Determined

**Exhibit B: Menu Curriculum****Class/Lab Hours**

8-200

Trainees may receive any of the following:

**BUSINESS SKILLS**

- Change Management
- Employee Engagement
- Leadership
- Sales

**COMMERCIAL SKILLS**

- Appraisals & Property
- Credit Services & Automated Underwriting Systems
- Legislative & Lending Laws
- Document Audit
- Drawing Documents
- Fees & Escrow
- Loan Disclosures
- Loan Decisions and Conditions
- Loan Products
- Procedures/Policies
- Underwriting Guidelines
- Workflows

**COMPUTER SKILLS**

- ADP (Payroll)
- Citrix
- Compliance Ease
- DocuTech & Electronic Signatures
- Local Area Network / Wide Area Network / 3Com
- MS Office – Intermediate/Advanced (Outlook, Power Point, Word, Excel, Access, etc.)
- myStearns Intranet
- myStearns Learning (Learning Management System)
- Network Admin & Management
- Partner & Vendor Websites (FHA Connection, VA WebLGY, Appraisal Management Company Sites)
- Stearns orijin™
- Stearns Network Automated Portal (SNAP) 2.0
- Stearns Marketing, Branding & Advertising (MBA Marketing Tool)
- Lending Space
- Structured Query Language (SQL)

**CONTINUOUS IMPROVEMENT**

- Process & Performance Management
- Profit & Productivity Improvement

**CBT Hours**

0-10

**COMMERCIAL SKILLS**

- Anti-Money Laundering [1 hour]
- Fight against Mortgage Fraud [1 hour]
- Fair Lending Laws 1.5 hours]
- Fair and Accurate Credit Transaction Act [1.5 hours]
- Home Mortgage Disclosure [1 hour]
- Mortgage Fraud Awareness [1 hour]
- Plain and Simple - A Step-by-Step Guide to the New Integrated Disclosures [2 hours]
- Red Flags of Identity Theft [1 hour]
- Raising the Bar: A Guide to the 2014 Consumer Finance Protection Bureau (CFPB) Rules [1 hour]
- Right to Privacy in a Mortgage Transaction [1 hour]
- Real Estate Settlement Procedures - Reg X [1 hour]
- Truth In Lending [1 hour]

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.