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THE LENDER'S ADVOCATE

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By Austin Kilgore

After 30 years in mortgage finance, Robert Broeksmit has established a reputation for being meticulous, an exceptional communicator and a thoughtful leader.

The industry veteran will need all those qualities in his new role as president and chief executive officer of the Mortgage Bankers Association, a position he assumed in August from the retiring David Stevens.

Broeksmit, 54, is the youngest of six children of an Episcopal minister and grew up in rural Illinois. He got his first job, delivering newspapers, at age 9. After graduating from Yale University in 1985, he took what was supposed to be a temporary job doing clerical work for the New Jersey-based mortgage lender The Money Store. He would go on to hold virtually every job imaginable in the origination business, eventually becoming president of B.F. Saul Mortgage Co., a division of Chevy Chase Bank in Maryland, in his mid-30s.

"The thing I noticed about Bob very early on is he knows what's in a mortgage loan file. He can explain every piece of paper that's in an inch-and-a-half-thick file and what its purpose is," said Alex Boyle, former vice chairman of Chevy Chase. "He understands loan processing and loan underwriting thoroughly, and yet he has a very broad-based understanding of the whole industry and the secondary market."

The start of Broeksmit's tenure is arguably the first "peaceful transition" at the top of the MBA in the past 20 years, the result of a period of stability and financial security for the nearly 105-year-old association that his recent predecessors did not enjoy.

However, the same cannot be said for the industry it serves.

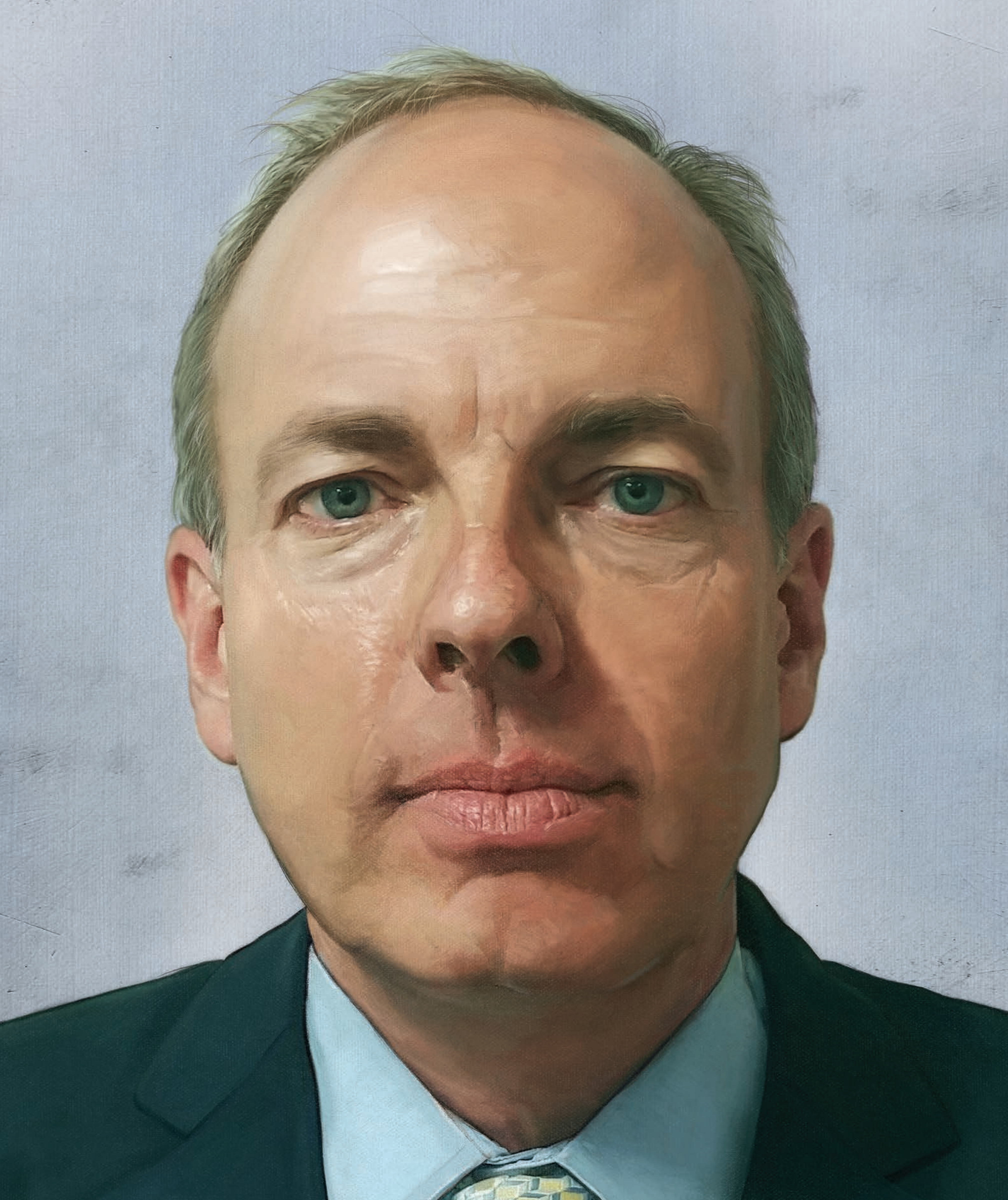
At its core, the MBA is a lobbying organization. And while it can claim victory for the regulatory relief that mortgage companies received in the Dodd-Frank Act rollback that President Trump signed earlier this year, regulatory uncertainty abounds — particularly when it comes to housing finance reform and the conservatorship of Fannie Mae and Freddie Mac.

Meanwhile, mortgage companies face harrowing conditions in originations. As interest rates continue to rise from the historic lows of a few years ago, purchase lending now dominates the market. Yet severe housing inventory shortages have put a damper on volume. And many lenders are expecting the next few years to mark the first period of significant increases in mortgage rates since the late 1970s and early 1980s.

What's more, market share is rapidly shifting from large depositories to small and midsize nonbank lenders that face unique challenges controlling costs and building scale. The MBA has already begun to redirect its education and member development programming to cater to this growing segment. These efforts are essential to ensuring the MBA has a robust membership base.

Likewise, the demographic makeups of both the industry's customer base and workforce are going through a transition, and the MBA must play a key role in preparing its members to attract the next generation of mortgage professionals and homeowners.

JASON SEILER



Broeksmit spent most of his youth in Dwight, Ill., a town of less than 4,000 people about 80 miles southwest of Chicago. Corn and soybean fields fill the landscape, and Route 66 cuts through the center of town. His family lived in a parsonage next to the church where his father preached.

It was a rather humble upbringing, but it still came with a lot of expectations. Broeksmit's father had attended Yale, while his mother went to Vassar College. He would go on to be the fourth generation on his mother's side and third on his father's side to attend Yale.

"There was a certain amount of educational pedigree, but there wasn't any money," Broeksmit said.

And despite growing up in a small town where everyone knows everybody's business, Broeksmit found ways to get away with mischief-making.

"The organist at our church moonlighted as a waitress at the truck stop, and the truck stop is where we would go late at night or early in the morning after having misbehaved," Broeksmit said. "And she would wait on us, and it was obvious that we'd been having fun, and then I'd see her at church the next morning and not a word was spoken. So that was a pretty good setup actually."

A few years into his career, Broeksmit moved to Frederick, Md., to join Prudential Mortgage. There he met Bruce Muller, who took Broeksmit under his wing. The two worked together until Prudential was acquired by Norwest in 1996. (Norwest then merged with Wells Fargo in 1998.) The pair moved on to Chevy Chase, a savings and loan headquartered in the Maryland suburbs of Washington.

Muller, a Marine Corps veteran who served in the Vietnam War, "swore like a sailor," Broeksmit said, but he had an innate understanding of mortgage operations. His example laid the foundation for Broeksmit's leadership style.

"I learned a lot from him, and beneath this gruff exterior, which he retains to this day, he had a heart of gold," Broeksmit said of his old boss. "He would go out with the people on the line, the processors, and the underwriters and the closers, and he'd get to know them really well, and he would know who's a single mother or, you know, somebody who's maybe going through a tough time, and he would do things like clip out diaper coupons and take them to these co-workers."

When Muller retired from Chevy Chase, he recommended Broeksmit take his place. "He brings out the best in the people around him," Muller said of his protege. "He's the type of guy who can take an average performer and turn him into an exceptional performer, and he doesn't even know it's happening."

It was unusual for the closely held bank to promote a young executive into such a high-profile role. "His detailed knowledge gave him instant credibility with the people who were reporting to him, who by and large were much older," said Boyle. "He's a good leader. He speaks effectively in front of a group of loans officers or brokers or underwriters — he just has that kind of gift."

Broeksmit ran Chevy Chase's mortgage unit until 2009, when it was acquired by Capital One. It was during this time that Broeksmit got involved with the MBA. Working so close to the nation's capital and the government-sponsored enterprises, Broeksmit saw an opportunity to shape the direction of the industry.

"I found that by engaging both with the GSEs and with the MBA that I got a lot out of the networking and sharing best practices with my peers," he said. "I understood from my following the political process that the government in one way or another was extremely involved in housing and housing finance, and that seeking to have our industry's voice heard in that setting was really important not only to my livelihood, but to an industry that I really believe in."

Broeksmit lives in Maryland and is a registered Republican, according to state voter records. He has personally made more than $30,000 in political contributions to the MBA Political Action Committee, MORPAC, since 2002, according to public data compiled by the Center for Responsive Politics. Since 2004, he has also donated nearly $6,750 to Democrats and $1,400 to Republicans, including a contribution to Ohio Gov. John Kasich's presidential campaign.

While serving as chairman of the MBA's Residential Board of Governors in September 2006, Broeksmit testified before a Senate Banking Committee subcommittee about the growing prevalence of nontraditional mortgage products.

In his written testimony, Broeksmit defended the industry's use of interest-only, payment option and other negative amortization products, as well as "streamlined underwriting" — practices that require less borrower documentation.

"I strongly believe that the market's success in making these 'nontraditional' products available is a positive development, not cause for alarm," he wrote.

During the hearing, Broeksmit decried calls for lenders to rein in the scope of products available to borrowers.

"You know, it wasn't all that long ago that our industry was addressing concerns about the availability of credit to all borrowers," Broeksmit told the subcommittee. "It seems we are victims of our own success to a degree, as the discussion now concerns whether some of the many credit options available to borrowers are appropriate for them."

Later, when asked by Sen. Charles Schumer, D-N.Y., if he expected the use of payment option adjustable-rate mortgages to increase, Broeksmit reiterated his support: "I believe they are a good product for a large segment of the population."

Navigating the Beltway

Once again in his career, Broeksmit finds himself with big shoes to fill. Stevens, who served as Federal Housing Administration commissioner during the Obama administration, is credited for resuscitating the MBA following the fallout from the recession and numerous self-inflicted wounds, including the costly decision to purchase, then walk away from, an office building that had been its headquarters.

While Broeksmit's credentials as a mortgage professional are well-established, it remains to be seen how quickly he'll take to the advocacy role that's essential to running the MBA.

"Bob's got a ton of experience — he knows the issues. But he hasn't spent as much time in D.C.," said Bill Emerson, vice chairman of Quicken Loans and a former MBA board chairman. "Dave was there previous to coming in the MBA. He was probably more well-connected than Bob is coming out of the gate."

Broeksmit's limited political track record could play to his advantage, particularly given the divisiveness that exists on Capitol Hill.

"The MBA at times has been too political in the past few years, instead of focusing on policy decisions all the time," said David Kittle, president of The Mortgage Collaborative, a consortium of independent mortgage bankers. "It got too political around elections and everything else."

Kittle, who has served in a variety of volunteer leadership roles at the MBA, including chairman of the board and of MORPAC, said he was being vetted by the Trump administration to serve as president of Ginnie Mae before he withdrew his name from consideration.

Regardless of personal ideology, the association's leaders must maintain neutrality to be effective no matter what party is in control of Congress, Kittle said. "When you run the association, you can't let your political persuasions show."

The most important lobbying issue the MBA currently faces is GSE reform. In addition to advocating for an end to Fannie and Freddie's conservatorship, the MBA is focused on ensuring administrative changes enacted by the Federal Housing Finance Agency are codified in any reform legislation, Broeksmit said. For example, the MBA has called for rules that prohibit Fannie and Freddie from offering large lenders bulk discounts on guarantee fees to remain intact. So-called G-fee parity has promoted competition among small and midsize lenders.

Strength in Numbers

The greatest source of the MBA's influence in Washington is also one of the most challenging things it has to manage.

"I think the MBA is a very strong voice for the industry," said Emerson. "It represents such a broad group. It represents large depository institutions and small independents and everything in between."

But the various factions of mortgage companies sometimes clash. And as midsize nonbank lenders have grown in size and sophistication, the MBA has had to adapt to meet their needs.

"Advocating for the industry as a whole, while acknowledging the difference in business models and giving those members opportunities to interact and to have the ear of senior leadership at MBA, I think, has been very important," Broeksmit said.

Of particular concern for independent mortgage banks right now are tightening margins as a result of lost volume and housing inventory shortages. If left unchecked, the trend could reduce the MBA's membership numbers.

"No small or midsize IMB out there is really going to make any money this year," said Kittle. "It's an M&A environment. So the challenge he faces is going to be continuing to grow the MBA. Not that it won't still be profitable, but to grow it."

As the industry workforce continues to near retirement, lenders and servicers must also focus on identifying and hiring the next generation of mortgage professionals.

"Our industry in general has to take a look at itself and it has to get younger and it has to get more diverse to be relevant to the borrowing base of the future," said Emerson.

The MBA has taken early steps, such as creating a forum for young professionals. It has also organized recruiting events at historically black colleges and universities to introduce careers in the mortgage industry to a broader audience, Broeksmit said.

"It's critically important that the people in the mortgage industry look more like the borrowers. And we're behind in that, I think everyone would acknowledge. But we are taking some steps as an association and more importantly, with our membership, to address that problem," he said. **NMN**