

# Northern Colorado BUSINESS REPORT



April 23-May 6, 2010  
Vol. 15, No. 15  
[www.ncbr.com](http://www.ncbr.com)

## Cornerstone of lending rests on veterans

### Humphries leaves First National for independent firm

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FORT COLLINS — Longtime mortgage veteran Gene Humphries has ventured out from First National Bank's Circle One Mortgage Co. to join forces with many of his one-time cohort under a familiar flag.

Humphries left First National at the end of the year and in March launched the Colorado division of Cornerstone Mortgage Co. He is now joined in the Fort Collins office by Jim Hunter, who helped Humphries establish First National's residential mortgage division about 10 years ago, and more than 40 experienced mortgage professionals, many of whom also worked at First National.

Humphries said he decided to strike out on his own to take a different approach to mortgage lending. He was also looking beyond the bank's geographic area.

"We were looking for a larger footprint," he said. "We wanted to have an ongoing opportunity to expand our market share."

Once he had an idea of what he needed in a company, he set out to find the right fit. In the six weeks following his departure from First National, Humphries interviewed around 20 companies, and Cornerstone was a natural choice.

Cornerstone was once owned by First National Bank of Omaha — the parent of Fort Collins-based First National. At the end of 2006, Cornerstone bought itself back from the holding company, reverting to an independent firm.

"We had a choice then, and at the time we felt we should stay with First National Bank," said Jim Hunter, a former First National senior executive who joined Humphries in early March.

Cornerstone, based in Houston, operates offices in 15 states now. From 2007 to this year, Cornerstone had a single representative in Colorado — Executive Vice President Julie Piepho. Piepho, a Fort Collins resident, works out of the company's headquarters in Texas but has been a longtime advocate for Colorado's mortgage industry, having served as the chairman of the Colorado Mortgage Lenders Association.

"We had a wonderful relationship with (First National), and they let us operate under the same model we have now," Piepho said.

#### Regulatory landscape different

The difference in the regulatory landscape is what led Cornerstone to become independent once again. Piepho feels that the Office of the Comptroller of the Currency, which regulates national banks, doesn't understand the finer nuances of the relationship between mortgage lender, customer and investor.



Krista Watzel, Northern Colorado Business Report

**MORTGAGE CORNER** — Mortgage veteran Gene Humphries, right, left First National Bank's Circle One Mortgage Co. and launched the Colorado division of Cornerstone Mortgage Co. in March. Several First National mortgage professionals joined Humphries including Jim Hunter, right, division senior vice president at Cornerstone.

For example, the bank regulators want to see a single price sheet for mortgage loan products, whereas independent companies — regulated by the U.S. Department of Housing and Urban Development and state agencies — are able to be more flexible depending on customer needs and investor requirements.

The past few years have ushered in new changes for independent mortgage companies, brokers and bankers. Mortgage loan officers not affiliated with a federally regulated bank are now required to get licensed, a process that entails education, testing, background checks, and other actions, and net worth requirements are on the rise.

Hunter and Humphries said that the rapidly evolving landscape wasn't a deterrent, especially since Cornerstone, one of the largest independent mortgage firms in the country, has systems in place to assist with meeting all of the new requirements. The industry veterans feel that the licensing requirements are a good thing, because it provides a uniform, state-administered educational process with testing.

"We believe it makes loan officers better," Humphries said of the process.

For Cornerstone, additional licensing, testing and education, while time-consuming, isn't a major concern. Piepho explained that Cornerstone only opens offices where the company has a group of skilled lenders to tap into, aligning with seasoned professionals such as those from First National's mortgage division, which required ongoing education internally.

"We're a company of top producers," she explained.

Led by Humphries and Hunter, Cornerstone now has more than 120 employees, 70 of them loan officers, in 14 offices

throughout Colorado. In the next four to five months, Cornerstone expects to have around 100 loan officers in the state. The Fort Collins office, which acts as headquarters, has 43 employees and growing.

#### Major change for First National

Humphries' exit from First National marks a major change for First National and its mortgage division. President Mark Driscoll explained that the division is still a significant part of the bank's overall strategy but is transitioning to a new business model.

"In 2009, we did over \$1.9 billion in mortgages," Driscoll said. "It's a business we're fully committed to."

Going forward, the bank will house mortgage loan officers only in its branch locations rather than a network of satellite offices, and start servicing the loans after they are sold, so customers will continue to make payments through the bank. The move will bring First National more in line with the model of a typical community bank and its parent holding company, Driscoll explained.

Despite the change to retail branch locations, First National is looking to double its number of mortgage loan officers. Driscoll said the bank will need to hire about 20 additional employees following the exodus to join Humphries.

"(Gene) is an extremely entrepreneurial guy," Driscoll said. "He's got a big following so a fair number of the folks at First National followed Gene."

Humphries conceded that the excitement of a new venture was a major motivation.

"The entrepreneurial-independent part of the opportunity here was a significant piece of the decision process," he said.

Hunter added that the ability to focus exclusively on the mortgage business was important to his decision to go to Cornerstone. As a member of senior management at First National, he often addressed other matters outside of closing mortgage loans.

"These are challenging times," Hunter said. "In today's environment, you really have to be able to focus on your business."

"There's a lot going on in our industry — with regulators, legislation and among peers," Humphries added. "Our industry has shrunk significantly in the last two to three years."

#### Shrinking industry

Economic difficulties coupled with new regulations and licensing requirements caused a recent flight from the mortgage industry. Professionals report that the number of mortgage lenders has dropped by more than 50 percent over the past few years. The Northern Colorado mortgage landscape is being reshaped, too. Fort Collins Mortgage, founded in 1993 and at one time counting 30 among its ranks, recently morphed into FCM Home Loans — a much smaller firm.

Co-owner Scott Charpentier said that the changing industry has put a lot of pressure on mortgage loan originators and small companies. Fort Collins Mortgage saw a 50 percent decline in income over the past year. He and his business partners are now in a small office with a core set of originators.

"We're just trying to adapt to the times and be lean and mean," Charpentier said.

Adding to the pressure was a dispute between the firm and its lender — First National Bank. In August 2009, First National called in the balance of a promissory note issued in 2006. The original note of \$60,000 was alleged by the bank to be in default and more than \$88,000 owed at the time of filing. Fort Collins Mortgage and its owners — Charpentier, Jon Vigil and James Hinojos — initially denied the bank's claims.

After months of legal wrangling, the parties finally agreed to settle in early April, with the Fort Collins Mortgage group agreeing to pay \$98,000 now owed for principal, interest and fees. However, plaintiffs Charpentier and Vigil were stayed from the judgment individually following the filing of Chapter 7 personal bankruptcy.

Charpentier, who declined to discuss the case on the record, said that the decision to make a new start with a smaller, core group of lenders had more to do with the economy than anything else.

That volatility in the local and national mortgage market was a catalyst for Humphries and crew to set out from First National.

"The timing is right," Hunter said, explaining that they want to be part of the change in the industry.

"We do desire to change the way mortgage lending is done," Humphries added. "We desire to change the inaccurate representation that some have put on the mortgage business and prove it can be done the right way."