

# Inside MORTGAGE TRENDS

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## American Mortgage's Plan: You Work It, You Own It

A one-year-old mortgage startup in Chula Vista, CA, has decided to become 100% owned by its employees, hoping to solve some income-related compensation problems facing traditional mortgage firms.

American Mortgage Network, founded in January, announced in November it will distribute all of the equity in the company to every employee through an employee stock ownership plan (ESOP).

The executives of the company said they gave up all of their equity and shunned outside capital.

“By using this model, it really gives all employees a sense of ownership and pride, because they truly own the company,” said Joseph Restivo, president and CEO of AmNet. “Everybody works as a team ... everybody is truly trying to help each other.”

The idea of ESOP isn't entirely new to the industry. Axia Home Loans, Bellevue, WA, was converted to a 100% employee-owned company in 2016 and in 2018, USA Mortgage, St. Louis, did the same.

This is how it works: Instead of asking employees to buy stock in the firm, the company every year distributes shares based on an employee's W-2 earnings. When employees reach retirement age, they will get an eventual distribution of the income generated through the plan. The ESOP acts as a retirement plan under IRS Section 401(a).

AmNet's business plan entails selling its originations servicing-released, with the cash going into the ESOP. The benefit of being a 100% ESOP company: Exemption from state and federal taxes.

AmNet also chose the ESOP structure to solve the imbalance in earnings between rank-and-file staffers, loan officers, management and senior executives.

“There is a big imbalance between sales and executives, between sales and operations,” said Restivo. “I sat down and made a huge list of problems within our industry and I sought to fix all those issues to create essentially the perfect company.”

The executives at the lender are being paid \$15 per hour with additional compensation based on volume. (Employees earn \$16 per hour plus additional compensation.) The structure encourages loan officers to provide the best price to borrowers in order to boost volume, said Restivo, adding that during slow economic conditions, the company will not have to lay off employees.

AmNet originates primary residential mortgages, including conventional, jumbo and FHA loans. The company declined to disclose its mortgage volume, but Restivo noted, “It's going very well.”

The mortgage banker currently has 52 employees, and is licensed in 11 states, with another 15 applications pending. □ [yyang@imfpubs.com](mailto:yyang@imfpubs.com)

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