

Taking A Risk

■ by Patti **GRECO**

On Security



Gerard D. DiMarco, Jr.



Anthony J. DiMarco



Feature Writer Patti Greco had the opportunity to speak with Gerry DiMarco of Security Mortgage Group the day before he left for vacation. When this 36-year old dynamo is not pouring his energy into the family-owned business— a rising star in the manufactured home community industry – he’s showering it on the family he’s taking to the Bahamas. And when he says “family” he means business – five children ages 10 and under and his wife, Dee Dee, who believed in him during times when he wasn’t sure he did.

Based in Rochester, NY – Gerry and Anthony Dimarco work seamlessly together to close loans with mh community owners nationwide. In 2004, 2005 and 2006 Security Mortgage Group received the Manufactured Housing Institute’s Community Lending Broker of the Year Award. Last year, the Dimarco brothers financed \$400 million in transactions. How did they get here, and why are more community owners ‘taking a risk on Security Mortgage Group’?

Q Who named your company and why the word “security”?

A. My father, Gerry DiMarco Sr. , started the business in 1990, and he always thought the name symbolized the message “you can feel comfortable here, you’re going to be secure in the confidentiality of what we’re discussing and doing for you, and in the product we’re delivering. We provide security and reliability.” I came on in 1992, straight out of college. My Dad is primarily an attorney and started this as a secondary business. My brother, Anthony and I run the business now, with Dad acting as a consultant.

Q Why get into a family business? Some people can do it well, but a lot of people can’t work with family members.

A. My family has always been very close. When

we were younger Anthony, David, my sister Karen and I learned to enjoy each other's company and do family-oriented things. When Anthony was in college, he started working here summers and he was working the business from his dorm room, while getting a 4.0 in finance from Villanova. His help enabled me to keep going, and build the business, especially in the manufactured housing industry which we entered in 1997. When he came into the business at the age of 21, Anthony was a two-year veteran of the business in my opinion. I was 27 or 28 with my wife caring for two small children at home so we were building from the ground up. We started working the manufactured housing industry in NY, and then we went to join the OMHA in Ohio, and worked that state very strongly. A couple of clients had transactions in Texas, so we joined the TMHA and started attending functions there so we built our network by going to state by state events. We went to every chapter meeting we could, sometimes small meetings of 10-20 people each where they could get to know us face to face.

Q. In the beginning, why did community owners say that what you offer is "too good to be true"?

A. If you take your average apartment project or shopping center, that property owner has a good amount of leverage/mortgages against that property largely with no personal guarantee and typically not with a local bank. They're working with life insurance companies, pension funds, big investment banks. Since about 1997, this type of long-term no personal guarantee, very low interest rate financing became available to the mh community industry. So many of the people we would meet with who run family-owned businesses would say, "Gerry, this seems too good to be true. What's the catch? I don't believe it. You can't tell me that you're going to get me 6%, my bank said 8%." So by having attended many of the meetings, shaking hands and getting to know the owners one by one, and doing transaction by transaction, we worked with their neighbors, friends, etc.

People began to say "Hey, the Dimarco brothers are here to stay and they're supporting our industry."

Q. What did you have to do to bring your lenders together with your mh clients?

A. Our lenders were used to dealing with large, sophisticated apartment owners, and our clients were historically dealing with their local banks.

We had to call our lenders and say this is a manufactured home community owner, they haven't been through this process before, we need to make accommodations to make this individual, this borrower, this client comfortable knowing that what they're getting into will be good for them. That means getting the right appraisers, the right environmental firms to work with us – people who understand the industry.

One example was a borrower we worked with who said he was not comfortable with sending in a \$20,000 deposit just to get the process rolling. We convinced our lender to accept \$4,000 so we could

get the appraisal started.

Our larger clients who do these deals all the time don't even read the paperwork, they send in the \$40,000 deposit, we close in 40 days – it's easy. Another client may say "I've never done business with a Wall Street firm before, this legalese looks kind of scary, my lawyer has never even seen this kind of language before, so it's a little tougher for that person. We work to make that easier for our clients."

Q. Give me an example of a change you helped implement in the industry?

A. One of the early things we did was in surveys. We had a special modification that JP Morgan wrote because of us, specifically for manufactured housing because their survey requirements would have been ridiculous for a manufactured home community to comply with. They wrote a special section which we helped draft so that the surveyors would understand explicit instructions as to what to do to create a survey that makes sense, and protects all parties without being exorbitantly expensive.

While we were growing our presence in the industry, premier financing, the type that's been available to apartment lenders and shopping center owners, became available to the mh industry.

Q. Who is your competition or do you even see competition?

A. There are some good professionals who know what they're doing in the industry. What I feel we do well is we have a handful of five or ten larger clients who are national in presence. Part of our forte is we're willing to do a million dollar loan, a \$500,000 loan, a one-time loan with somebody on a \$1.5 million community in Iowa or some market we've never been to – to bring value to the smaller client.

Q. Why is Security Mortgage Group taking off? I've heard they call you the young guns in the industry today.

A. We bring responsiveness and our relative youth to the market: I'm the old guy in the office and I'm 36, my brother is 31. We have analysts who are in their 20's – we all have our cell phones on, and our Blackberries with us. We've got youth and hunger on our side, and a long future in the industry. We always tell people we want to finance your deal now, finance it in ten years, and finance it in 20 years. We're not here to say we're in this business for 3 years and we're out. I'm not going anywhere. My brother just had his second child. You are talking to my brother and me – you and your next generation are going to be talking to us. For community owners who are getting ready to hand their business to their children, they know they'll get a continuity of service from us.

The other difference is that because we are not a big shop, we are the point men in our business, and we have relationships with the top decisionmakers in finance. My brother and I fight for every single deal, and we don't have to wait for decisions from middlemen. We do what's best for our clients, not a corporate umbrella sponsor.

We may work with three or four lenders, not 30, but they know and respect us on a personal level. We like to work with lending institutions that are very flat in their bureaucracy, meaning one person signs off on a loan, not a big committee where we don't know the people involved. We know our clients and we know the person making the decision on the lending side. We don't just hand the application to a loan officer who takes it into the big bad committee and we hope we get it approved.

The other nice thing about our business is because we're brothers, because there is no rivalry, one of us is interchangeable with the other and we work together closely. It's a 100 percent team approach, where we're aligned with the same vision.

Q. What experiences in your childhood prepared you for this kind of work?

A. My Dad was always focused on being friendly, and not being afraid to talk to new people. He was very involved with politics, and as 13 or 14 year olds, we would go to events where we'd be interacting with leaders in our community. We would be expected to work the room, help out. I learned that when a VIP came to town, everything had to run smoothly, you had to make calls in advance and prepare to make sure everything ran smoothly. It's no different than a mortgage transaction where you have to make a nice presentation to all parties.

Also, my grandfather was an Italian immigrant – I think he came here in 1927 – and he would always talk about how you have to think ahead – out 5 years, out 10 years. I looked back at my 8th grade yearbook and I'd written as my goal – to "be a self-employed businessman." Today I'm always focused on preparation and thinking in advance for my clients to minimize their risk. For example, I may say hey, your loan isn't due for 2 years, but here is what I see as the risks out ahead. For example, if interest rates go to 10% that scenario would not be good for me, and it would be horrible for my client. Let's refinance in advance and eliminate that risk.

Q. In what ways were you completely unprepared to go into this business?

A. When I was in college, I thought how am I going to go out there and figure out how to take care of a family. When you're in school, you learn a lot of theory, but to dig into the actual specifics of business is difficult. How do I deliver value to someone that they're willing to pay for? I attended The Simon School at the University of Rochester (the business school) and I learned there how you need to take some of the emotion out of business. If you lose a transaction, you learn how can I do better next time? If you can make money for your client, you can make some for yourself. No matter how nice a friend you may have, they may or may not choose you to do business with and you still have to deliver value every time. You can also lose a transaction, and not be upset about it.

Q. How does the way you do business encourage the mh community to re-invent themselves?

A. My brother and I have always challenged our-

selves to keep pushing the envelope so that we stay at the absolute forefront of the industry. We can't fall back on the last deal we made. Even if we've made 10 deals, I have to be the best on the 11th deal for that client, and the 12th. We have to deliver the best price and terms on every deal. That idea of delivering value is key to the health of the manufactured housing industry, and I think MHI's plans to take on a national image campaign is a great idea.

I believe that as older Americans have more disposable income, purchasing a manufactured or modular home as a second home or vacation home is a great idea.

Q. What keeps you loving this business?

A. I like the excitement of hearing from somebody I haven't heard from in years, and now they want to work with us. Sometimes my brother Anthony amazes me with some of his ideas. I love building, and I enjoy winning transactions with the biggest developers and property owners. We faced heavy competition on a \$75 million RV park portfolio this past summer, and I fought my way into the transaction and we won, and the same client came back. I just as much enjoy helping a client who owns one RV/storage facility who was paying his local bank 8.34% on \$3 million and I get him 5.34%. To save the smaller client \$1,500,000 over 10 years could be changing his life.

Q. How do you see the present business climate for manufactured housing?

A. We've been successful in recognizing the stability in the manufactured housing industry and selling that to the lending institution. For community owners with long-term consistent rental revenue there's a lot of cash floating around the market right now looking for a safe investment, among those choices, commercial mortgages. In terms of retailing, there has been some inconsistency of debt payments by homeowners to chattel lenders which has caused problems. Improved warranties, keeping up the long-term improvement value of the homes inside a community is key to the industry's future. Community owners also need to recognize that they cannot just do explosive rental increases on people,

because it saps some of the value out of the home.

Q. What is your business secret for success?

A. What we have done well is to have a vision of where you want to be, respecting your clients and their intelligent decisionmaking and delivering value time and time again, especially with repeat clients. You cannot take your existing clientele for granted. You have to continually add value or someone else will.

Q. Who do you consider to be your mentor in this business?

A. Honestly, I've learned a lot from one of my clients, Robert Morgan, based in Rochester. He has done very well in the industry, owner of multiple apartment buildings, and manufactured home communities. He taught me to show everyone respect and to make sure that everyone gets a little gravy in a transaction, that it works out for everyone so that all parties are motivated to come to a successful conclusion. I have counseled my clients to try and show a little decency toward the lending institution – let's not hammer them too hard! Or let's not give an appraiser \$2,000 for a \$4,000 job – you want that appraiser to work hard and quickly for you.

Q. What do you like about the pace of your work?

A. There is always competition. We like to set very high standards to deliver. We take it as a matter of pride to get back to a client within an hour, to digest their numbers and jump all over the job. Our lenders know that our word is good, and when we tell them we're going to win an offer, that lender knows we're not wasting their time.

Last year my brother and I did 72 transactions involving over 100 different properties, so we have to work efficiently and deliver quickly. What we mean by delivering "integrity" is that the last thing we want to do is over-promise and not bring it in. We'll tell you here's what we can do, how and why. We don't waste our clients or our lenders time. Our lenders are not looking at 80 deals of ours to close 4, they're looking at 10 to close 7.

Q. How do you go about understanding the needs of your clients?

A. What every client says to me is "what type of

deal can you get me?" I ask, what type of deal do you want and what is the purpose of what you're trying to achieve? Some clients don't care about rate, they care about prepayment flexibility because they're going to pay it off in a year and a half. Another client says my cash flow isn't very strong, I need a bridge loan until I get there. We have to put ourselves in our clients' shoes. We also understand that our lenders expect that we've done our due diligence and there won't be any surprises that would ruin a big transaction.

Q. What is your philosophy about risk in life?

A. People don't realize they're taking risks all the time. Taking a job somewhere is a risk. It's always about risk and reward. It's a risky business but I enjoy it. Being self-employed means you're in charge of your retirement plans, you have to come up with ideas every day. I love it. I enjoy people, and I laugh way too much. We have fun with our clients, we send crazy faxes, have goofy nicknames. We're very buoyant and energetic together.

Q. What do you absolutely love to do when you're not working?

A. Go home. I try to be home by 6:30 pm every night, to help with homework, make lunches, play. We spend weekends as a family together. I'm really lucky. I'd take Anthony as a business partner any day. And without Dee Dee's support, I would never have been able to do the traveling I do or to build the business to where it is today. That's huge.

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