

NY Mortgage Bank Eyes National Expansion

Firm aims to pick up pieces left by others

by HEIKE WIPPERFURTH

Two years ago, Stephen Schnall made a big leap. By merging his mortgage company with that of a rival, he was able to create the largest private mortgage bank in New York.

Now Mr. Schnall, the president of New York Mortgage Co., is again on the prowl. His aim is to make his firm into a powerful player on the national stage.

To help lead the charge, three months ago he hired Dennis Raico as national sales manager. Mr. Raico had been a sales manager in New York and Connecticut at Dime Savings Bank Mortgage Co., which is now in the process of being acquired by Washington Mutual, one of the country's biggest mortgage lenders.

Ironically, both men insist that consolidation in the mortgage industry, including Dime's sale, will actually create opportunities for smaller players like NYMC. "As big banks take over bank after bank, they drop some of the mortgage products," says Mr. Raico. "There are a million different niches, and we try to do everything."

To capture more of that volume, NYMC has shifted into aggressive expansion mode. It is preparing to open up new offices as far away as Florida, beefing up its local sales force, and considering more acquisitions.

Expansion, however, will not be easy. Industry observers note that it is extremely difficult for regional firms to morph into national players. Simply obtaining all the requisite state licenses can be extremely costly and time-consuming.

Then there is the daunting task of building an actual brand, an exercise that takes deep pockets even in the best of times. With the economy now softening, it could get harder still.

Energy Needed

Still, some give NYMC a fighting chance. "Their strength is that their management is young and enthusiastic and willing to work hard," says Ernie Craumer, president of Concorde Funding Group, a mortgage broker where Mr. Raico worked as a sales manager.

In fact, since signing on at NYMC, Mr. Raico, has already opened a new office in Stamford, Conn., and is getting ready to launch another in Westchester.

In the next two years, he plans to go further, opening at least a dozen new offices in places such as Pennsylvania, Maryland and Florida.

At the same time that NYMC is plotting its entry into new, far-flung markets, it is also strengthening its sales force at home.

Expansion won't be easy; it is extremely difficult for a regional firm to morph into a national player

Mr. Raico, who himself began his career as a loan officer at Chase Manhattan Bank 12 years ago, says that he intends to add about 30 loan officers in NYMC's branches. Those are located in Manhattan; Astoria, Queens; Nutley, N.J.; and Long Island in Bridgehampton, Lake Success and Setauket.

In addition, NYMC is thinking about obtaining a banking license and introducing financial products such as insurance, asset management and financial planning.

At present, NYMC has two ways of running its business. It makes mortgage loans to borrowers, then sells those loans to large banks and Wall Street firms. Those banks package them in large pools and sell them to investors like mutual and pension funds.

NYMC also acts as a broker by originating mortgage loans and taking them to large banks such as Chase, Wells Fargo and Washington Mutual for a fee.

The scheme of things

The new products are all part of Mr. Schnall's grand scheme to grow the company, which he founded as a one-man operation back in 1991. Since Mr. Schnall, an accountant by training, merged his company with First Security Financial Services two years ago, it has grown into an organization that is licensed in eight states and has 150 employees. In the last two years alone, it has doubled its mortgage loan originations to \$1 billion.

The growth has been good for NYMC's bottom line. Mr. Schnall reports that revenues grew to \$25 million for the first half of this year from \$10 million in 1998.

Over the next year, he wants to make several small acquisitions, including buying a small bank. He says that bank ownership would help him lower his cost of funds and increase his margins on mortgage loans.

"The margins over the last couple of years have shrunk significantly," says Mr. Schnall. "But with the consolidation going on, you have a much larger piece of the business controlled by a much smaller group, and the margins will start to widen again."