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“The Last Man Standing”
Loan Ranger

Stearns Survives Crash, Riding Mortgage Surge

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Glenn Stearns is one of the last independents standing in the devastated mortgage industry.

Stearns: “I’m lucky to have taken the advice of smart people”

His Santa Ana-based Stearns Lending Inc. was the 14th largest mortgage lender in March and the highest ranking independent after the nation’s big financial companies and banks, according to La Jolla-based DataQuick Information Systems Inc., a unit of Canada’s MacDonald Dettwiler and Associates Ltd.

In April, Stearns did $540 million worth of home loans.

Last year, his company had what Stearns called his best year, making $6.2 billion worth of loans and a profit of $15 million.

This year, Stearns said he’s on pace to make about $12 billion in loans and a profit of about $60 million.

Like others, Stearns, the company’s founder and chairman, is seeing a wave of mortgages and refinancing spurred by low interest rates. It’s not the mortgage boom seen earlier this decade, but it’s the biggest surge since the market crashed in 2007.

The other part of the story: many of Stearns’ rivals now are gone.

After 20 years in lending, Stearns, 45, has outlasted many of his competitors that fell by the wayside during the mortgage meltdown.

“In a way, I’m the last man standing,” he said.

Stearns funds mortgages brought to him by brokers and then sells the loans, primarily to government-backed mortgage companies Freddie Mac and Fannie Mae.

His company has offices in 28 states. California makes up 70% of his business.

Stearns is quick to credit good advice for dodging the worst of the mortgage meltdown.

"I'm lucky to have taken the advice of smart people," he said.

In 2007, some high-profile friends—George Argyros, chief executive of Costa Mesa-based Arnel & Affiliates, and Paul Folino, executive chairman of Emulex Corp. in Costa Mesa—advised Stearns to get out of risky mortgages.

"Designer loans" for borrowers with imperfect credit or with rates that reset higher after a few years used to make up about three-quarters of Stearns' business.

Getting off the junk wasn't easy.

In 2007, buyers of Stearns' loans asked him to buy back tens of millions of dollars worth of mortgages when they feared they might go bad, he said.

"Investors began changing the guidelines," Stearns said. "We had millions on our credit line that we couldn't spend."

Stearns lost $6 million that year and let go about 200 workers.

Up to 2007, Stearns said he hardly had any loans go bad. After the housing and mortgage crash, about 2% of loans went bad, he said.

Things turned out worse for competitors.

Rivals at the time included Arizona's First Magnus Financial Corp., which filed for bankruptcy in 2007, San Diego's SCME Mortgage Bankers Inc., which is out of business, and Secured Bankers Mortgage Co. in Los Angeles, which also is gone.

Even when Stearns did riskier loans, he said he was a skeptic.

Search YouTube.com and a company video with scenes from a 2005 episode of KOCE-TV's "Real Orange" comes up with Stearns warning about risky loans and a looming burst of the bubble.

"We were never as aggressive as other lenders," Stearns said.

Survivor Benefits

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Being among the survivors has its advantages, according to Stearns. He said he's picked up experienced workers laid off by competitors.

Stearns now employs 300 people locally and 500 companywide.

When SCME went under in late 2007, Stearns said he called its management to hire 150 of its workers. He's opened five offices with those people.

"I told them to keep them there," he said. "I knew I could expand with them."

Stearns has seen other changes.

He used to sell mortgages to Bear, Stearns & Co., Washington Mutual Inc., Morgan Stanley, Citigroup Inc., Wells Fargo & Co. and Bank of America Corp.

Bear Stearns and WaMu now are gone. The other big financial companies aren't buying from Stearns as they focus on generating mortgages through their bank branches.

That's left Stearns to focus on "conforming loans"—or loans that conform to guidelines set by Fannie Mae and Freddie Mac.

About a third of Stearns' loans are made under the Federal Housing Authority's mortgage insurance program for lower income borrowers.

The risk for Stearns: that the funding he uses to bankroll loans from brokers might dry up as capitalization concerns persist.

His prime sources of funding come from Bank of America, National City Bank, part of PNC Financial Services Group Inc. in Pittsburgh, and Detroit's GMAC LLC, part of General Motors Corp.

"They would make anyone nervous," he said. "But they've actually offered more money, so things seem good."

Stearns, who lives in Newport Beach, grew up poor in Washington, D.C.

At the age of 14 he fathered a daughter, whom he saw raised by his grandparents. She now runs one of his companies.

Never a strong student, Stearns failed fourth grade and graduated as a C student from Towson State University, just outside Baltimore.

In 1988 he moved to California where he worked as a waiter before getting his lending license.

After working in sales he set out on his own to start First Pacific Financial in 1989.

The company focused on escrow services and consumer loans and then branched out to handle work with the Housing and Urban Development Department.

In the 1993, he started Carriage Escrow, which now is the largest HUD settlement company in the country.

He also started United Housing Services, an FHA auditing company. He also works with credit unions through his CU Partners, a division of Stearns Lending.

Other companies include Carriage Abstract, Desertwide Mortgage and Chief Management.

His wife Mindy Burbano Stearns became famous after doing birdcalls on “Oprah” and went on to do entertainment reporting for KTLA.

Stearns gained some fame for his stint alongside Mindy in the reality show “The Real Gilligan’s Island.” He played the part of the millionaire, and he ended up winning $250,000, which he gave to charity.