

"Orange County Business Journal" feature story by Mark Mueller

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Rags to Riches

Dad at 14, Stearns Overcomes Challenges to Start Own Portfolio of Real Estate Companies

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Orange County, Calif., March, 2007 -- Glenn Stearns' life story is a little different than that of your typical finance executive. Father at age 14. Below-average student. Company founder by age 25. Celebrity wife. Reality TV show contestant—and winner, for that matter.

It's an unusual background, but the experience has paid off. Stearns, founder and chairman of Santa Ana-based mortgage lender Stearns Cos., now owns some 20 companies with estimated yearly revenue of \$130 million. Altogether, the companies worked on more than \$2 billion in transactions last year.

Stearns, who lives in Newport Beach, was one of five executives honored at the annual Excellence in Entrepreneurship luncheon put on by the Business Journal on March 8.

Raised poor in the Washington, D.C., area, Stearns failed fourth grade. He became a dad at 14 and watched as his grandparents raised his daughter.

"What I thought was the worst thing in my life turned out to be the best thing," he said.

His daughter, who he calls his best friend, oversees one of his business ventures.

He's embracing the same upbeat approach now in dealing with the challenging environment for mortgage lenders, especially those in the under-fire subprime sector.

"Times ... are a little wacky," he said.

Stearns has made riskier stated-income and other Alt-A loans—a step above subprime loans, which are made to people with poor credit. But he said he's largely stayed clear of subprime lending.

His take on his company's current challenge with the subprime fallout?

"I've never had so much fun as I have the past two months," he said.

The story of how Stearns landed in the real estate business is straight out of the rags-to-riches playbook.

He moved from Maryland to California in 1988 after working his way through school at Towson State University, just outside Baltimore.

OC Arrival He arrived in Orange County with not much more than a backpack, he said, sleeping on the floor of a friend's apartment.

Amazed by the area's homes, he asked someone he believed to be the mansion's owner how long it took to buy a house. The person, who turned out to be the gardener, had some good advice: He told Stearns the owner was in real estate.

That following year, Stearns began learning about the mortgage business as a loan officer. He soon realized he could do better on his own.

After getting a license, a loan and seeking out more advice, he founded First Pacific Financial in 1989.

"It was an insane thing to do," Stearns told his alma mater, which awarded the former C student with a Distinguished Alumnae recognition last year.

After First Pacific ramped up, Stearns began a company that focused on escrow services and consumer loans. Shortly after that, he pitched the Department of Housing and Urban Development for some government work. That meeting ended up in the 1993 creation of Carriage Escrow, which now is the largest HUD settlement company in the country.

Then came a loan auditing business called United Housing Services, which also targets government business. United Housing became the largest Federal Housing Administration auditing company in the country, according to Stearns.

Other companies include Carriage Abstract, Desertwide Mortgage and Chief Management. The companies employ more than 500 people.

The escrow, title, audit and data-entry work is steady, helping to offset the swings of the mortgage business. Stearns doesn't see the dramatic growth of other mortgage companies here. But then again, he doesn't see the big downturns either.

Employees working in Stearns' main business can be shifted elsewhere during leaner times for the mortgage industry, he said.

Stearns said he's only had to cut 30 of 180 workers in his core mortgage business during the recent downswing because he's been able to move lending agents into escrow, title, audit and data-entry work.

"He doesn't take the money out of the business. And he doesn't because of times like these," said Travis Task, principal with the Aliso Viejo office of San Diego-based insurance brokerage Barney & Barney LLC.

Among other awards, Stearns has been recognized by Ernst & Young's Entrepreneur of the Year program.

On the philanthropic front, he and his wife Mindy founded the Stearns Family Charitable Foundation, which provides resources and money to children's charities.

Mindy Burbano Stearns became famous after doing birdcalls on "Oprah." She later went on to do entertainment reporting for KTLA.

Glenn Stearns got attention for his stint alongside Mindy a few years ago on the reality show "The Real Gilligan's Island." He played the part of the millionaire, and ended up winning the \$250,000 competition, which he gave to charity.

"I never compete to lose," he said.