

## Gerald Levy, Jill Levy Belconis, and Brian Levy

### Shelter Mortgage Company, LLC



*For the first time, RESPRO® interviewed an executive team for its member interview – Gerald Levy, Jill Levy Belconis, and Brian Levy of Milwaukee, Wisconsin-based Shelter Mortgage Company, LLC, which sets up mortgage joint ventures with real estate brokers, home builders, and others throughout the country. What is unique about this executive team is their longevity in the affiliated business arena and the family culture of their business. Gerald Levy is third generation management in its parent company Guaranty Bank, Jill Levy Belconis is his daughter, and Brian Levy is Gerald's nephew and Jill's cousin.*

**RESPRO®:** We know that Shelter Mortgage Company, LLC is an operating subsidiary and the retail arm of Guaranty Bank, and that it's unique in that it is a family-operated business. Can you describe your individual roles within the company?

**Jerry Levy:** I'm now the Executive Chairman of Guaranty Bank. My son Doug is the President and CEO. We switched titles in 2003.

**Belconis:** Since 1992, I've been President of Shelter Mortgage and I am the main contact for all of our partners.


**Brian Levy:** I'm General Counsel of Guaranty Bank and Shelter Mortgage and am responsible for legal compliance. I also get involved with a lot of risk management issues and I handle

government and industry relations and business development, along with Jill.

**Belconis:** Brian and I are fourth generation. My son works as a teller at the bank so now we have a fifth generation.

**Jerry Levy:** Jill's great grandfather — my wife's grandfather — formed what was then Guaranty Savings and Loan in 1923. I came to join my father-in-law in 1959. There were only two full-time and two part-time employees. I shoveled the

ally chartered savings bank under the jurisdiction of the OTS, but in 1992 Guaranty Bank moved from a state savings and loan charter to a state savings bank charter, which put us under FDIC jurisdiction, and we formed a mutual holding company. In 1993, we sold 49 percent of the stock, which is now publicly held. Although at the time of the offering, two thirds of the stock that was sold ended up being held by officers, directors and employees. The other 51 percent is still in a mutual

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walks, opened accounts, closed loans, and handled abstracts. It had barely \$3 million in assets. We now have over 2,100 employees. But we have a real family culture. We've got a lot of people who have been around for 15 and 20 years.

**RESPRO®:** Can you describe your corporate structure?

**Jerry Levy:** Our corporate structure is quite unique and of importance to our partners. We are now a feder-

holding company. When a person opens an account, we get a proxy card and the board votes the proxy. When we go to an annual meeting, we have 51 percent plus about another 30 to 35 percent. We probably always have about 85 percent of the votes.

The important thing is we're not in play. We have no plans to sell the balance of the 51 percent. Our structure provides strong continuity to our employees and it's a very strong selling point with a partner to know that, number one,

they've got a partner that's going to be there for them; and number two, they're always dealing with principals.

**RESPRO®:** When and why did you form Shelter Mortgage?

**Jerry Levy:** In 1980, the prime rate was 20 or 21 percent and it was just a disaster. We were paying rates above the rates for deposits that were above our mortgage rates. So, I sat down one weekend and said, "This is crazy. We've got to change the model. We've got to be able to make every loan we can find. It's our job to come up with the cash. That means selling loans. And we have to geographically diversify. At the time, Texas was going into the tank and we were concerned that the same thing might happen in Wisconsin. So one day I called our nine branch managers in and they all sat on one side of the room. I said, "As of today we are going to split mortgages and savings. If you want to stay on as the manager of your savings branch on a salary basis, stay where you are. If you want to go on a commission basis, with no salary, doing loan origination, move to the other side of the room."

Three of them moved to the other side of the room, and we formed Shelter Mortgage in 1982. One passed away several years ago but two of them are still top loan officers with us.

In 1984 we took it to the next step. We decided there's got to be a better way than bringing donuts into a real estate office in the morning. That's when we decided that Shelter Mortgage would really explore the idea of linkage with partners.

**Belconis:** I came to Shelter Mortgage in 1984. So my whole mortgage banking career has been focused on partnerships. When people ask me what business I'm in, I don't just say mortgage banking. I say we're in mortgage banking partnerships. It is very different.

**Jerry Levy:** Joint ventures are a way of thinking. The bank itself is based on strategic alliances. Besides Shelter Mortgage's strategic alliances with real estate brokers and builders, Guaranty Bank now has almost 180 supermarket branches, which we look at as joint ventures. It's a mind set. We are totally committed to the concept.

**RESPRO®:** Who are your current partners, and what are the characteristics of an ideal partner for Shelter Mortgage?

**Belconis:** We have about 40 partners. They range from real estate companies to builders to community banks. They're all very different. We go from the real estate company that's one big office to multi-office companies. We've got builders that are located in multiple states and we've got builders that are


us. We're all about very personalized, hands-on service.

**RESPRO®:** Do you have a certain type of joint venture or partnership that you set up, or does it depend on the partner?

**Brian Levy:** We have a structure that we've used since 1996. We're obviously very careful about RESPA compliance. As General Counsel, that's my number one concern. When we have potential relationships that don't fit the joint venture model, we've done marketing arrangements. But our primary model is the joint venture model.

**RESPRO®:** What types of products do you offer?

**Belconis:** We offer everything from first-time home buyer products to

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concentrated in one market. They're all successful. If I had to identify one characteristic, I would say it's that they truly believe that they're in the mortgage business. They look at it as part of their core business.

When people ask me how we got into a market, I tell them that we were referred by one of our existing partners. We've never been a big direct marketer, nor do we have a huge sales force selling partnerships. Our growth has been by word of mouth.

We're also not about quantity. I'm never going to be saying that we've got 100 partners. We never want to—that's not

products for strong FHA/VA lenders. We also offer some great competitive jumbo products. And because of the bank, we've got the ability to do some other things.

**Jerry Levy:** The affiliation with Guaranty Bank is extremely important. Not only does it provide us with state preemption, but being affiliated with a federally chartered bank that has 180 branch offices with deposit funds gives us tremendous liquidity. A big preponderance of our funding is done with our own funds. But we also have extensive funding capacity through the Federal Home Loan Bank.

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**Brian Levy:** Our recent conversations with potential joint venture partners have been interesting since liquidity was never a question before the last six months. Now it is front and center for everyone. One of the most important issues that we really feel good about is our liquidity position.

**RESPRO®:** How successful are your joint ventures?

**Belconis:** We have a goal of 40 percent capture rate with our real estate partnerships and a goal of 90 percent with our builder partnerships.

**RESPRO®:** What do you think the most important keys to success in a mortgage joint venture?

**Belconis:** They truly have to believe that it's their core business, not an ancillary service.


**Brian Levy:** Another one of the keys is the alignment between the partners. In a joint venture the partners need to be aligned in what they're trying to achieve. One is wanting to have a mortgage company. The other is wanting to have a profitable mortgage company. Those are two different things. We just aren't in a position to take every joint venture proposal that comes our way. We're very selective and Jill is very careful in making sure we've got the right alignment with our partners. Finally, execution; meaning living up to your promises.

**Belconis:** We've got guaranteed service level agreements. Above all, the service is everything. If you don't get the loans closed, you make those sales agents look bad. You're done.

**RESPRO®:** How do you insure that your joint ventures are legally compliant?

**Brian Levy:** This is one of the reasons we're involved with RESPRO. We think RESPRO's got the best information out there on legally-compliant affiliated

in partnership with you now." Because every deal counts. And, they know that we're going to close on time and the money's going to be there. That's one less thing that they have to worry about. They know everything is going to go smoothly.

 You need to be legally compliant, but at the end of the day it's a performance agreement. We have to earn the business every day.

business arrangements. We think it's the most important organization for us to be active in. And I take a personal interest as an attorney to stay on top of those issues. We also work with outside counsel to help us with any questions that we might have. This is an area we don't want to take any chances with.

**RESPRO®:** How are Shelter Mortgage and your partners coping with this challenging housing market?

**Belconis:** The good news is that our volume will probably end up being pretty close to the same that it was last year. Part of that is that we've increased our capture rates. So even though our partners' business is down, I'm anticipating that our volume will be the same for 2007. Being that we're bank-owned, we're in a great position.

We're working very hard with the partners that we have in terms of increasing capture rates. And we're working probably more closely than ever with them on the financing end.

**RESPRO®:** Do you think that your partners have an advantage in having an affiliated mortgage business in this down cycle?

**Belconis:** I have heard more times from our partners, "thank goodness we are

**RESPRO®:** Do you feel that Shelter Mortgage is better off in today's housing market than other mortgage lenders because of your affiliated business strategy?

**Belconis:** We feel we're better off in any market. We've never been one of these companies that looks for refinancings. We have always been focused on the purchase business. Our focus has been and always will be on affiliated businesses.

**RESPRO®:** Is there anything else you'd like to say?

**Brian Levy:** Going back to what makes a joint venture successful, I think that many people in the industry may think that once they have a legal document and an agreement that all the hard work is done. The reality is that the hard work is just beginning. The mistake is thinking that the agreement makes the joint venture work. It's not the agreement. It's what actually happens.

**Belconis:** Brian's so right. You need to be legally compliant, but at the end of the day it's a performance agreement. We have to earn the business every day.

**RESPRO®:** Thank you, Jerry, Jill, and Brian, for sharing your success story with us. ■