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**MARK FREERKS**  
The sorrow that followed the Sept. 11 attacks 'helped accelerate our decision' to set up WCS Lending in late 2001, Eric Wallberg says.

# GROWING PROFITS

Independent mortgage banker expects to make \$2 billion in loans this year

BY JIM FREER

Early in 2002, Eric Wallberg called his contacts at online mortgage exchange LendingTree and sought a favor for the mortgage company he and Carlos Cepeda had just started in Boca Raton.

Wallberg asked: "You know us and you worked with me before. Can you let us in without paying the \$30,000 upfront fee, and let us pay it monthly while we get started?"

LendingTree deferred that fee, and put WCS Lending on its list of about 300 lenders for referrals of borrowers who contact it through [www.lendingtree.com](http://www.lendingtree.com).

Five years later, WCS has been profitable since its first year, and consistently earned four stars or better on LendingTree's five-star scale for service.

WCS has used leads from Charlotte, N.C.-based LendingTree to help it keep expanding, even during the past year's housing market downturn.

WCS expects to make \$2 billion in loans this year, a large number for an independent mortgage banker. About 25 percent are with its own money. It arranges the remainder for national giants, including Citigroup's Citi Mortgage division and Washington Mutual.

The story of WCS - which stands for Wallberg Cepeda Systems - contains lessons on when and how young businesses should and should not take chances.

In September 2001, Wallberg, then



**MARK FREERKS**  
Before founding WCS Lending, Eric Wallberg and Carlos Cepeda worked at Mortgage IT, an online lender near Manhattan's World Trade Center.

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31, and Cepeda, then 27, were working in Manhattan at Mortgage IT, an online lender two blocks from the World Trade Center.

Wallberg, moving up on the sales side with clients including LendingTree, and Cepeda, moving up on the technology side, had been talking about starting a company in Florida.

The sorrow that followed the Sept. 11 attacks "helped accelerate our decision" Wallberg said. They set up WCS late that year, using savings and some loans from family members.

Interest rates were low, the refinancing market was booming "and there were a lot of candidates" for

lending jobs, Wallberg said. But he and Cepeda were cautious.

"While hiring staff as a startup, we needed to make sure we did not compromise our integrity," Cepeda said.

Cepeda and Wallberg put a priority on training lenders in their firm's service system. WCS also developed technology that includes a system for following up on borrowers with a goal of gaining refinancings and their next home purchases.

#### LICENSED IN 40 STATES

Within several years, WCS added offices in Southfield, Mich., New York City and Fort Lauderdale. The company is licensed to make loans in 40 states. That provides a diverse business base that can limit the impact of a downturn in one region, Wallberg said.

In 2004, when the boom began in the subprime market, where borrowers have poor credit, the prospect of high fees from a growing product tempted many lenders.

WCS did not make or arrange subprime loans because it was concerned about defaults and did not want to rely on lenders that might fail if the subprime market slumped, Cepeda said.

Now, WCS is benefiting from the subprime crisis. On March 19, it hired 35 employees from the Boca Raton office of Home 123 Mortgage. Home 123 was the prime credit division of New Century Financial Corp., the Irvine, Calif.-based lender that entered Chapter 11 bankruptcy on April 2 because of losses in its subprime business.

Alan Reichstein, who headed Home 123's Boca Raton office, became WCS' director of retail sales.

Last year, WCS made or arranged \$1.2 billion in loans and Home 123's Boca Raton office arranged \$500 million.

Wallberg said WCS expects revenue of about \$25 million this year, following \$20 million last year and \$12 million in 2005.

In addition to leads from LendingTree and partnered loans with national giants, WCS generates business through referrals from South Florida Realtors, attorneys and accountants.

Rankings of Florida-based mortgage lenders are not readily available, but one comparison among mortgage bankers is with Atlanta-based HomeBanc (NYSE: HMB), which has a large Florida division and last year had \$1.8 billion in mortgages among its \$5.1 billion in loans.

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#### THE CHALLENGES

- Managing a startup business with limited funds, while getting established with national lenders

- Finding quality employees in South Florida, a market regarded as one of the biggest for fraud in the mortgage industry

- Obtaining licenses and setting up a system for compliance with regulators in 40 states

#### LESSONS LEARNED

- Build a technology system early and let the business grow into it - rather than vice versa.

- Build a system for tracking how leads generate business.

- Avoid products that offer fast returns but also carry risk, such as subprime mortgages.

- Listen to selective outside advisers. WCS' partners said Ira Martin, president of Martin Touch Consulting in Boca Raton, helped them make their firm active in civic organizations while they focus on lending.