Fairway: Yesterday, Today and Tomorrow

Steve Jacobson, founder and CEO of Fairway Independent Mortgage Corp., speaks to employees at an annual meeting last year at Monona Terrace.

YTD production as of mid-June $1.2 billion; headcount at 1,040

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When Fairway Independent Mortgage Corp. was started a decade and a half ago, the company's founder was faced with a life event that altered the future of the firm. Since then, the lender has become a multi-billion dollar producer, provided jobs for more than a thousand employees and sidestepped potentially costly litigation.

Steve Jacobson traces the philosophy that guides his business to this day, after 28 years in the mortgage-finance industry, to his time playing college basketball at UW-Madison.

Jacobson, 50, was a guard under Coach Bill Cofield in the late 1970s and early 1980s, but it was what then-assistant and now-head Badgers coach Bo Ryan used to say about the "precious present" that stuck with him most.

Ryan said "it doesn't matter what you have done in the past -- that's over," recalled Jacobson, the CEO of Fairway Independent Mortgage Corp., a nationwide residential lender registered in Texas and based in Sun Prairie.

"In sports, if I miss a shot and I pout, in the next moment it may affect how I do the next thing," he added. "So, in the moment, you have to be excellent."

In business, Jacobson said, the philosophy is a good check on complacency and arrogance.

"If you did well, that's fine, but that's old news," he said. "It's done, so be ready for what comes next. In the business world, it's always about staying humble."

And when you're in residential finance, there's nothing like a housing crash to keep you humble.

In the industry post-crash, tighter credit standards mean fewer people can qualify for purchase loans, while falling home values make it difficult for many others to refinance.

Jacobson said Fairway's mortgage loan volume, at $1.2 billion in mid-June, is down 13 percent compared with this time last year.

But that's after five years of record growth for the company, he noted, as loan volume steadily rose from $1.6 billion in 2006 to $3.94 billion last year.

Fairway's employee base also has shot up sharply, rising over the past two years from 600 to 1,040.

And Jacobson -- who lives in Texas outside Dallas but grew up in Pardeeville -- is optimistic about adding more people and locations this year.

"We're aggressively hiring, and we do anticipate growth," he said. "It all depends on finding the right opportunities. We're just taking things day-by-day."

Last year, Fairway was one of numerous financial institutions sued by Lehman Brothers Holdings, the giant New York investment firm that filed for bankruptcy in 2008, helping trigger a global financial crisis.

As with its other lawsuits, Lehman sought damages for loans it purchased from Fairway that it claimed had "material problems," including one loan Lehman said "misrepresented" the borrower's debts, according to the court filing.

Jacobson said the case was dismissed March 15.

Q: You started Fairway Independent 15 years ago in Texas, but company headquarters is in Sun Prairie. How did that happen?

A: My father became sick and I moved back to Wisconsin to be with him. When you get that phone call, it doesn't matter what you're doing, you're moving. I started the company in April of 1996 and he got sick in June of 1996.

He had a major operation on Christmas Day of 1996, and 26 months later he died. He was only 60 when he passed away, but I was able to spend a lot of time with him. So I would never change that decision.

Q: How did you wind up in Texas in the first place?

A: A previous mortgage company I worked for had transferred me there. And Fairway was always going to be in Texas, because Texas is more mortgage-company friendly.

In Texas, people go to a mortgage company to get a home loan. In Wisconsin, they go to a bank. So you wouldn't pick Wisconsin as the place to do this.

However, when you get a phone call like that (about a parent's illness), you do whatever you have to do. You make your plans and God laughs sometimes.

Q: You talk about superior customer service in your promotional materials. How is that demonstrated in your business practices?

A: We stay in touch with the consumer after the closing. We may check back if it makes sense for them to refinance.

Q: Besides refinancings, how can you help customers after you close their loans? Like most banks, you quickly sell off the loans you make to the secondary market, don't you?

A: We do. But if they have a question about something, getting through the answering machines or customer service departments (of the new loan servicer) can be troublesome.

Q: Are you having to turn down many loan requests?

A: You provide what's available in the marketplace. Everything's tightened up. The whole financial crisis was blamed somewhere on the mortgage process, whether on Wall Street (where bad mortgage loans were packaged and traded) or down the chain of banks (where many risky loans were made). Those (high-risk) products are not available like they were before.

Q: How have the new financial regulations affected your practices?

A: It's more of an education process for a consumer. It used to be, three to five years ago, pretty much anybody could get a loan.

What's happening now ... (is) the whole loan has to make sense again. You take into consideration someone's job stability, the cash they have, their income and their credit. Those four things, along with the property appraising, have to connect with the amount of money they're borrowing. There were loans created (five years ago) where those things weren't looked at.

Q: What do you tell the person who's rejected?

A: We would say, "Come back in three to six months after doing (certain) things." They may have to save more money or take care of some debt. So it becomes more of a consulting process, if it's not the right time for somebody to get a loan.

Q: How do you expect to grow your business if fewer people can get loans?

A: Our focus has always been on the first-time homebuyer. Some people are always going to be buying for the first time. So you focus on Realtor relationships, talking to agents that work with them.

The market that isn't moving now is the move-up market. (Those owners) figure, "My home values went down, so why would I want to sell my house?"

Q: When do you think the market will rebound?

A: Most experts we talk to say it's the end of 2013 or the beginning of 2014. We're not getting through it this year. It probably hasn't hit bottom yet.