



VISION AND STRATEGY

In the five years between 2000 and 2004, our company:

- Increased its mortgage business 11 times faster than the market average
- Grew to become the UK's number one non-conforming lender
- Rose to become the UK's number one seller of mortgage portfolios
- Stepped up to the position of Europe's number four issuer of Residential Mortgage-Backed Securities
- Accelerated from being the UK's 60th biggest mortgage lender to become a top 10 lender for the first time
- Developed insufficient humility about our achievements

Sorry about that. Not being humble enough, I mean. But I figure it this way: I have to grab your attention early on. If you think this is another boring old strategy text book, you might throw it at the cat.

In fact, this is a case study of a mortgage lending success story, one that actually worked when the vision was turned into reality. I hope it will inspire anyone working in the mortgage business who thinks it unexciting and staid. It is anything but. I hope, also, it inspires anyone in business who wants to learn some of the secrets of successful business and enjoy rapid growth without seeing the wheels come off the trolley.

Everything major that worked in our “create and trade” strategy is in here, plus a bit more. There were lots of mistakes, of course. I have always been lucky rather than clever. But the bits that worked did so spectacularly well, and I am happy to share them.

The story starts really in the summer of 1998. The company I had started eleven years previously, and which I now owned again (see chapter 6 for the full story), was bumping into a glass ceiling. We believed that we could at least double the £1 billion volume of lending we were generating at the time if we could only persuade our panel of lenders to rebuild their dated administration processes, which were holding us back.

In truth, my company Private Label had run its course as a mortgage packager. We needed to transform ourselves into a lender, selling portfolios of mortgages post completion rather than pre-offer. That way, we would be in control of our own underwriting, service levels and product design, maximising income without the need for a huge capital injection. I described this strategy as being a “creator and trader” of mortgage assets - a model not too dissimilar to a mortgage banker in the US.

Then the phone went. Would I have dinner with Bruce Paradis?

“Who?”

“Bruce Paradis, President and CEO of GMAC-RFC”.

“Never heard of him. What’s the company name again?”

“GMAC-RFC”.

“Spell it”.

“I just did”.

“Sounds like a bad hand at scrabble”.

“It’s one of the world’s biggest and best known mortgage conduit companies”.

“OK, I’m interested, dinner would be great”.

On 24 June 1998, we had dinner at the Greenhouse restaurant in Mayfair. We talked about the UK mortgage market generally. Bruce asked me how I would develop the UK business that GMAC-RFC had just launched if it were down to me. This was the perfect opportunity for me to launch into my “creator and trader” theory.

I remember the discussion being terribly therapeutic. The chance to rehearse my “create and trade” idea in front of the CEO of a major US lender that already had its own string of innovations to its name was a great opportunity and learning experience. When these chances come along it seems rude not to grab them!

Bruce seemed to like the strategy. And I liked him. Good job really for, five months later, GMAC-RFC bought Private Label. Eighteen months after that - a delay that was presumably designed to test whether I was house-trained - I was asked to become UK chairman of GMAC-RFC, to implement the “creator and trader” idea.

This part of the book tells you what I did with that mandate. This first chapter describes the top line vision and strategy only. The longer execution chapters that follow tell you how we did it and how we overcame the many obstacles in our way. Figure 1.1 tells you what is to come in this first chapter.