

{ Strategy } SESSION with the DiMarco Brothers

Security Mortgage Group began as a commercial mortgage broker in 1989 with Girard DiMarco, Sr. at the helm assisting with financing of apartments, shopping centers, etc. Sons Gerry and Anthony, both holding finance degrees, joined the business in 1992 and 1996 respectively. 1997 brought about a new line of business for Security Mortgage Group—manufactured housing. It wasn't long after that business growth that the brothers recognized the similarities in the RV park/resort industry.



Anthony DiMarco



Gerry DiMarco

HOW DID YOU EVOLVE THE RV PARK/RESORT SIDE OF YOUR BUSINESS?

Helping RV parks and resorts across the nation grow and realize their dreams was a natural offshoot from the manufactured home industry. The ownership and operational models are similar. With that experience we understood the need to educate lenders on the nuances of RV park/resort operations. Upon further investigation, we discovered that local banks were unfamiliar with this type of business thus rates and terms were not as favorable as they could be in that lending situation. By offering this service to the RV park/resort industry we feel we add substantial value.

HOW SPECIFICALLY?

We see ourselves as consultants first. We field plenty of calls from interested parties looking for answers but feeling misunderstood by local institutions. By talking with the park owners we can together understand how and if a mortgage component may help them achieve their long-term goals. Those may be paying down higher rate debts, positioning the business for inheritance, estate planning, etc.

Once we've examined the motivations we can build a well-crafted presentation to provide to lenders. When they see a package from Security Mortgage Group they know we've already qualified the borrower via an initial review of their income/expense statements, etc. The lenders have grown very comfortable with us.

WHAT'S WRONG WITH USING A LOCAL BANKER?

The average banker is great for financial transactions such as business banking, checking, etc.—in fact we use a two branch bank for those services—but in our experience we've noticed that they know very little about the quality and stability of the RV business therefore if that's the direction owners go they are very likely to receive lousy terms.

WHAT DO THE LARGER LENDERS THAT YOU WORK WITH OFFER THAT THE SMALLER ONES DON'T?

One of the biggies is that the property owners are not the guarantors of the loans—the property guarantees it. The lenders we work with have a method for dealing with the

“dead zone”—no cash flow in the off-season. That often times scares off local lenders. Our borrowers can choose to push amortization out up to 30 years rather than the standard 3 year 9% fixed rate loan on a 10 year payment plan. This is important. For example, a \$1 million loan at 6.5% with a 15 year amortization and a 10 year payment schedule will require a monthly payment of \$8,700. The same \$1 million loaned at 6.5%, again with a 10 year payment schedule and a 30 year amortization has a repayment amount of \$6,300/month. That can make a substantial difference to the borrower's cash flow.

CAN YOU ELABORATE ON THE REASON PARK OWNERS MAY SEEK YOUR SERVICE?

Sure. We see needs for infrastructure improvements such as road paving, utilities upgrades, collection systems, and site expansion. The money can be used to purchase additional property or have available for an upcoming opportunity. Another widespread use we've found is for investment diversification—rather than having all of an owners money tied up in the property they can get a loan guaranteed solely on the property and use the cash to invest in other financial vehicles.

HOW ARE YOU PAID?

We receive no more than 1% at the transaction closing. The lenders do not charge a fee.

HOW DO YOU VIEW THE GROWING INDUSTRY CONSOLIDATION TREND?

It certainly adds an air of credibility to the business. There will always be a place for both small and large operations. With an abundance of competition the consumer has options and this keeps up the quality, amenities and service levels. Because of larger organization's interest in this segment of the outdoor hospitality industry the small guy can get the same types of loans and terms as the big guy.

WHAT OTHER EMERGING TRENDS ARE YOU WATCHING?

Condo conversions seem to be an upcoming trend. When the industry is doing well there's an influx of funds to buy and finance. The

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