

Barrett Distributors

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ees. That year it lost its major customer, Borden, which it later managed to regain.

Arthur cut expenses, increased efficiency and restored the company to profitability by 1985. Despite the business adage that you can't cut your way to profitability, the company needed the trimming. It had shrunk in size over the previous three to four years, yet had maintained the overhead infrastructure of a substantially larger company.

When Tim came on board in 1993, after earning a degree in accounting from Holy Cross, Barrett Distribution began to take off. In 1994, it doubled its space by acquiring 60,000 square feet in Norwood, a strategic location to access rail service. While the distribution industry grew at 5 to 7 percent a year, Barrett enjoyed 15 to 20 percent growth through 2008.

Arthur says the company intends to acquire more space than clients need in distribution locations and then grow into them.

The brothers' skills mesh well. Tim forges relationships as the customer-facing executive, directing sales operations. Arthur handles running the business, overseeing locations, IT, finance and contracts.

Barrett Distribution has evolved from a locally-focused warehouse operation to a full-service distribution center that provides third-party supply chain services to rival national competitors. Clients include Vibram FiveFingers footwear, Ken's Foods, iParty retail stores, Adidas, Zoll Medical and City Sports.

Among the things that have given the company an edge is a state-of-the-art warehouse management software system that it installed in 2005. The system processes orders, makes intelligent "picks" from warehouse inventory, tailors shipments to the shipping vehicle being used, and complies with documentation needs of retailers, Arthur notes.

It was a major investment that the two admit wasn't an easy decision, since the nearly \$2 million price tag amounted to 25 percent of annual sales at the time. But the two say they envisioned the growth it would bring. "You have to have a lot of confidence in your growth to make that investment," Arthur says. In the end, it was the growth that served as the prod to implement the system sooner rather than later, when the company will be more complex and will have more customers and locations.

They have made other bold moves that have paid off. They moved to the Franklin facility in 2001 and bought the building in 2006. Arthur says the company intends to acquire more space than clients need in distribution location and then grow into them.

While they have very different focuses – Arthur more the engineer and finance person and Tim the relationship builder and collaborator – the brothers say they work well together and have always gotten along.

MORTGAGE MASTERS

Growing with conservative lending

Leif Thomsen, who founded Walpole-based Mortgage Master Inc. in 1988 in a spare bedroom of his Sharon apartment, admits that his is an industry with tremendous ups and downs. And yet through 23 years of operation and some \$60 billion in mortgage loans, he says, his family-owned company has never had an unprofitable year or a major layoff.

In fact, Thomsen, the company's CEO, says Mortgage Master is on track to have one of its best years ever in 2011, with overall loans matching last year's level of \$6 billion and record company profits. In the next three to four years, he predicts, the company will hit \$10 billion in loans annually and expand its workforce from just under 600 now to 1,000.

How has his mortgage company continued its upward trajectory when many of its competitors have floundered and gone out of business in the mortgage melee of recent years?

"We never wasted our time on subprime mortgages or Alt-A [alternative documentation loans which verify nothing other than credit] mortgages," Thomsen says. "We are very conservative in our lending."

One statistic he is proud of, he says, is the fact that his company has never been asked to buy back a loan it has sold on the secondary market. Big banks and government sponsored Freddie Mac and Fannie Mae routinely require mortgage lenders to buy back loans they have sold to them on the secondary market if a problem is discovered in the loan-writing process.

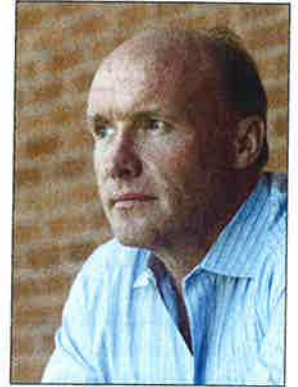
Cashing in on fewer competitors

As competitors have disappeared around Mortgage Master, it has picked up market share as well as qualified employees to keep pace with its steady expansion. Thomsen says his company seeks to open a new branch office every two months and hire six or seven additional new employees each month.

Its current operations, with 35 offices in 22 states and 250 loan experts, are a far cry from its humble beginnings in Sharon. Thomsen says he launched the company after being fired from a several-month job with a small mortgage lender for being too outspoken. He found he liked the mortgage business, however, and decided to launch his own having been an entrepreneur in the restaurant industry in his native country of Denmark.

He started Mortgage Master in one of the worst mortgage lending climates in recent history, with a business plan "I wrote in my broken English," Thomsen says. He had emigrated from Denmark with his then-wife Ann, whom he met when she worked for Polaroid in Denmark.

Friends were skeptical, he recalls. "They said, 'You can't just



LEIF THOMSEN

do that, [but] I did.”

If he had known how bad the mortgage climate was, he now says, he probably wouldn't have attempted the start up. But, he says, “I had no clue about anything, truthfully. But I was good with numbers and I liked selling.”

He bought a used fax machine and coffee maker and began using his affinity for sales to line up relationships with real estate companies, law offices and banks. Mortgage Master, he says, was profitable the first month and has been growing ever since.

A few months after the company launch, Ann quit her job to join in. Eventually, her sister joined the ranks and then a family friend.

They moved the company from the bedroom to the basement, which served it for about a year. The company then bought a small building in Norwood, where it operated until moving to a restored mill building in Walpole in 2002, its current headquarters. At that point, Mortgage Master was lending \$2 billion annually and employed 120, Thomsen says.

Weathering credit challenges

It's not like Mortgage Master hasn't faced challenges. One of the “scariest” points in its history, Thomsen says, was in late 2008 when the financial markets melted down. Mortgage Master relies on very large lines of credit to operate, Thomsen explains, and it didn't know if it would be able to get access to adequate capital. He and Ann had to put in substantial amounts of their own money to get through the credit crunch.

Ironically, in 2009 and 2010, the company's profits doubled, Thomsen says, because half of their competitors “simply went away.” The company's low rates and internal growth also played a part.

Then there have been the regulatory wrangles. In 2010, Mortgage Master got hit with a heavy fine from the Massachusetts Division of Banks for not getting some of its loan experts licensed. Thomsen admits his company was tardy in meeting the requirements and Mortgage Master agreed to a settlement,

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— Leif Thomsen

paying \$585,000. But, he says, he feels the state “overreacted” in imposing such a large fine.

Less than a year later, in May of 2011, Mortgage Master again faced allegations by Massachusetts regulators. This time it agreed to a settlement with the state Attorney General's Of-

fice of \$250,000 to end the state's probe into allegations that it discriminated against African American borrowers by imposing higher fees and costs.

Asked why the company paid the penalty even though the state did not find that it had violated any fair lending laws, Thomsen says it was tired of paying lawyers \$20,000 to \$30,000 a month to respond to the state's ongoing investigation of his company.

“There was absolutely no wrongdoing, but they had been fishing for a year,” he contends.

First, he says, state investigators were looking for violations with subprime and Alt-A loans, which he says his company didn't have. Next, he says, they scrutinized overtime policies. And finally, they turned to discrimination allegations. “It got to the point where we said, ‘what can we do to make you guys go home?’” Thomsen says.

While it was very difficult to decide to pay the settlement, Thomsen says, he finally decided it was the best option for the business. “It's become a cost of doing business in our industry,” he adds.

Delegating to the experts

While Mortgage Master is a family business, Thomsen is the sole family owner active in running the company day to day. His first wife, Ann, remains half owner of the company but hasn't been active in its operations for many years, he says. His second wife, Bridget, is a crack sales agent from home part-time, Thomsen notes, when a nanny is on hand to watch their two young children, ages one and four.

Thomsen's 19-year-old son, Christopher, who graduated from high school this year and is scheduled to begin attending Babson College in the fall, has been putting in long hours interning at the company this summer. His 17-year-old daughter, Michela, has also expressed interest in interning.

While he says he'd like to pass his company on to the next generation, Thomsen says he's taking a “wait-and-see stance.” He doesn't want to force his profession on his children, he says.

Thomsen himself is putting in less hands-on time running Mortgage Master over the past few years. He leaves much of the operation to company president Paul Anastos and Patricia Raymo, vice president and chief operating officer, because, he says, “I'm really an entrepreneur and the company has grown to a substantial size and these are professional people. They're better than I am at this point in running things.”

What does Thomsen see as the biggest challenge for his business today? “The regulatory environment,” he says without hesitation. What is the second biggest challenge? “The regulatory environment,” he shoots back. ■

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