

OC Leader Board: The Genesis of a Banker

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OCTOBER 27, 2024

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Stephen Gordon

Editor's Note: Stephen H. Gordon, who has successfully started, IPO'd and sold two banks, is now on his third: Newport Beach-based Genesis Bank. The Business Journal's annual report on banks with headquarters in Orange County begins on page 17.

I grew up in a small town in Westchester County, an hour's drive outside New York City. From a young age, I remember shoveling snow, raking leaves, and mowing the lawn – doing my part to contribute to the family. These chores earned me \$2 a week allowance and a work ethic that would stay with me for life.

Later, my family moved from New York to Arizona, and I was introduced to the sport of tennis. I played after school every day. It became a tunnel vision obsession for me. There's a lot to be said about competing in sports. It teaches you discipline, teamwork and competitive drive.

That work ethic and drive served me well as I started my career in investment banking. My uncle was an investment banker at Bear Stearns, so I saw the profession up close.

Through summer internships at New York City investment banking firms during college, and after attending the University of Arizona, I moved back to New York City because I wanted to prove myself in the center of the universe for investment banking.

I was always surrounded by people from top-tier schools who may have been smarter or more experienced than me, but I could outwork anybody. The competitive drive I learned at a young age drove me.

My first job was at a boutique New York investment bank working for three top bankers.

After a few months, I told the president of the firm that I could do what they do. He made me prove it by working "the dead file" – a list of leads other bankers had tried and failed to turn into clients. He said, "Open 10 leads from the dead file and you can go on your own."

I turned those leads into clients and my career began. I was 21 years old.

The Sandler Connection

In October 1988, I read a front-page Wall Street Journal article about the senior team that ran Bear Stearns' Financial Services Group who left Bear to start their own company, Sandler O'Neill + Partners. I immediately called Herman Sandler, one of the co-founders and namesake of the new firm. I joined the firm two weeks later.

Sandler O'Neill grew to be the dominant investment banking firm on Wall Street focused on banking institutions. We did everything from balance sheet restructuring to capital raising to mortgage finance to M&A and IPOs.

At 28 years old, I became one of the youngest partners on Wall Street. I was on airplanes three days a week, had a driver taking me everywhere, and bought a Park Avenue co-op apartment.

While most of my brethren liked working with healthy, well-capitalized financial institutions, I liked working with challenged banks that needed to take immediate action, having no choice but to listen to my advice. I made a name for myself by restructuring banks, raising capital, and ultimately selling them.

I continued to work closely with Herman, who was my greatest mentor. He would challenge me to learn everything and press me to achieve. We'd walk out of meetings with bank boards and executives and I'd often say, "How did that guy end up running a bank?"

Herman would respond, "If you're so smart, why don't you buy a bank someday?" It was a thought that would resonate.

In the early 1990s, we moved our office to the 104th floor of 2 World Trade Center. To this day, I can close my eyes and picture the blue carpet tiles, the trading floors, I can picture the guys who sat to my right, to my left, and across from me. We were all kids in our 20s and 30s.

We thought we were Masters of the Universe, Titans of Wall Street. We worked from early morning to late at night, then went out to dinner together until even later. We'd spend weekends with each other. They were kids that I trained and mentored. They were my mentors and partners. They were my best friends in life.

Herman always said, "We all work too hard to not be having fun." By 1995, I was making a lot of money, but I was no longer having fun. I retired from Sandler O'Neill in July 1995 at the age of 32, moved to Orange County, and married my college sweetheart. We've lived in Laguna Beach since 1996.

By 2001, while no longer there, I still worked closely with my old friends and partners at Sandler O'Neill. I remember waking up on Sept. 11.

My wife said, "You got to see this on the news." It was 6 a.m. on the West Coast and all I could think was, "They're up there." 9 a.m. in New York – I knew Herman and all my guys must have been in the office for hours already by that time. I watched as No. 2 collapsed.

I still struggle with the feeling, like being on top of the building collapsing – just sliding down, collapsing with the rest of the building, until finally those top floors hit the flames and the ground.

Sixty-six employees, a third of the firm, died on 9/11, including most of my friends and former partners, including Herman. Not a day goes by where I don't think about the guys I grew up with.

They were a big part of my life. Now, at age 62, I look back and realize how easy it was to make friends when you were in your 20s and early 30s and working and hanging with guys most of your awake hours. I'll never have that part of my life back again, but I'll carry it with me in my soul every day for the rest of my life.

A Fresh Start

Even though I was living in California, I still had my drive and New York edge. Like the song says: if you can make it in New York, you can make it anywhere! I was surrounded by so much talent in New York City and I learned everything I could possibly learn from everyone around me. It came from my New York years. That gave me my edge in California.

I started a mortgage company in 1998, FIP Mortgage, which would become the fifth largest multi-family lender in California. Then I bought a bank and turned it into Commercial Capital Bank, which became California's second largest lender on multi-family properties. The bank grew to \$6 billion in assets.

I took the company public at \$125 million market cap in 2002. It was acquired in 2006 for \$1 billion in an all-cash transaction.

So, I retired again. But not for long.

At the height of the 2008 financial crisis, I was asked by Credit Suisse and state and federal bank regulators to clean up Fremont Investment & Loan and Fremont General, which had approximately \$13 billion in assets. The place was a complete mess.

If that bank had failed, it would have been a bigger hit to the FDIC insurance fund than IndyMac was. You never read about Fremont failing because we worked out all the problems, cleaned it up, restructured the balance sheet, and sold off all the parts. And that's when the idea to found Opus Bank was born.

Opus to Genesis

Opus Bank started in late 2010 and ultimately grew to 50 locations up and down the West Coast and \$8.5 billion in assets. We bought several banks and non-bank entities along the way, building a well-rounded company that did everything – from commercial business lending, small business lending, commercial real estate and multi-family real estate to 1031 exchange and escrow.

The company went public in 2014 and was acquired in 2020 by Pacific Premier Bank.

Each time I launched a bank, it was coming out of some sort of economic event. I started Commercial Capital after the California recession in late 1990s. I began Opus coming out of the Great Recession.

During COVID, banks became too internally focused. I was getting phone calls from all sorts of executives trying to navigate the financial world and keep their businesses alive. I saw the need for a bank that was focused not just on itself but on the business and the business owner – the person trying to build something and execute on their dream and their vision.

In August 2021, we started Genesis Bank. We got regulatory approval in approximately seven months, a process that normally takes up to two years. We're going to continue growing, both organically and through acquisitions.

At this stage in my career, it's about building something that is needed and uniquely different. I'd like to think that I'm having more fun and having more impact than I've ever had before. I want Genesis to be the most impactful bank we have ever built.