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Mortgage lender Chicago Bancorp finds novel survival strategy: break into banking

By: [Steve Daniels](#) April 06, 2011

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(Crain's) — The owners of Chicago Bancorp, one of the area's largest mortgage banks, have bought a small Kansas bank, accomplishing a long-held goal to break into banking as regulatory controls over non-bank mortgage lenders have increased in the wake of the housing-led recession.

Stephen and John Calk, whose mortgage firm employs 256 in the Chicago area and does about \$1.2 billion in mortgage-loan volume annually, most of it to Chicago homebuyers, secured approval from the U.S. Office of Thrift Supervision to purchase Overland Park, Kan.-based Generations Bank, they announced Wednesday. The bank had just \$49 million in assets as of Dec. 31, but Stephen Calk said in an interview that it has about \$128 million in assets now.

Over time, the Calk brothers hope to migrate the mortgage business they do at Chicago Bancorp to Generations Bank. The reason: Their regulatory costs have soared as states have instituted separate licensing programs for sales reps. A federal banking charter allows banks to operate under a single regulator.

"What used to be a five-figure number annually quickly became a seven-figure number," Mr. Calk said. "We were finding we couldn't offer our customers the same value."

Non-bank mortgage lenders are struggling to survive as the majority of the mortgages being originated today are occurring at a handful of the nation's largest banks. Many non-bank lenders have sold to banks within the last year.

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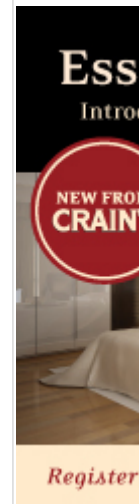
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So, the Calk brothers' deal is an unusual one, allowing them to run their business under the auspices of a federally chartered bank but retaining operational control.

Stephen Calk, 46, declined to say what he and his brother, 44, paid but said they valued the bank at two times book value, which equated to a little over \$7 million as of Dec. 31. The actual sum invested is surely more: Mr. Calk said they recapitalized the bank to allow it to grow. Already, they have formed a mortgage division at Generations and have hired 24 to staff it.

As to his future commitment to Chicago, assuming Chicago Bancorp's operations eventually are assumed by the Kansas bank, Mr. Calk said: "We're a Chicago family; Chicago is our home. We hope to expand (the bank) to Chicago as soon as is reasonably prudent."

A new CEO for Generations Bank will be announced in the near future, Mr. Calk said.

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