

The Stories Joe Bada Tells

— by LEW SICHELMAN —

Long before there was Five Guys—the somewhat ubiquitous hamburger chain—there was Five Brothers, the Warren, Michigan-based default-management company. But there never were five brothers—only one. And he was never part of the company. ¶ To solve this riddle, we turn to Joseph Badalamenti, alias Joe Bada, who started Five Brothers in 1967, nearly two decades before the Murrell family flipped their first hand-formed burgers, and long before default management was the sophisticated business it is today. ¶ Back then, Bada—he prefers that name because it's just easier; he even signs his checks that way—was cutting lawns for the Department of Housing and Urban Development (HUD) on the east side of Detroit. Forty-two hundred of them, to be exact. ¶ With all that grass to mow, he found himself in need of a truck to haul his equipment. So his brother-in-law, who worked for the Five Brothers supermarket chain, offered one of his. Bada accepted, painted out the word “supermarket,” and Five Brothers was born. ¶ Only then, it wasn't default management. It was more like doing

**The founder of
Five Brothers, a
default-management
company, looks back
over 46 years in
the business.**



Joseph Badalamenti (Joe Bada)

whatever needed to be done, whether that was boarding up windows, or debris removal for clients who didn't want to get their hands dirty.

Whatever needed to be done, Bada did it.

"The things I did back then, most guys wouldn't do," he says at the beginning of a day-long visit to the Five Brothers office campus.

National player

Today, Five Brothers is a national player, offering default-management solutions matched specifically to each client's busi-

ness needs and operating goals. From property inspections to advanced technology, the company offers specialized regulatory-compliant real estate-owned (REO) services to both residential and commercial clients throughout the country.

A one-stop source for asset preservation, the company offers the full range of field services—inspections, preservation, management and valuations—handled with sniper-like precision through a nationwide network of highly effective customer and field service representatives.

With a database of some 6,000 highly trained and experienced agents, inspectors and contractors, Five Brothers says it



(Left to right) Five Brothers' Phil Badalamenti, Angela Badalamenti-Miller and Bada

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can perform the full array of on-the-ground functions accurately, on time and within budget.

But its people are only part of the reason for Five Brothers' success. There's also the technology.

The company has created a variety of specialized tech solutions. Besides being one of the default business' first Web-based workflow management system, there has been one innovation after another—including state-of-the-art loss-mitigation software that enables fast, efficient and, most importantly, fully compliant loan modifications; and a document-storage system that ensures easier, more cost-effective scanning, indexing and retrieval.

Software? Computers? Who would have thought about technology some 5 million inspections ago? Certainly not Joe Bada.

Back then, he was just a young guy with a lawn mower who was trying to make a buck. But his business acumen started even before that. And as usual with Bada, there's a story.

'Debris, not trash'

"I graduated from high school, but I didn't want to spend the time to go to college, so I went into a lot of little businesses," Bada recalls.

"I became a cement contractor. I also ran a bar for my dad. And each step of the way, each step of the way, I learned how the world operates. Competition! To be successful, you cannot be mediocre. You have to be better—better than everybody else."

Like when he was doing debris removal. Not trash, he stresses, but debris—boxes, crates, cartons and all the other stuff Detroit area factories didn't want. The company he was working for during the day didn't want to handle certain accounts, so Bada built his own roll-off trailer, loaded up the otherwise unwanted cargo at night, and dumped it all in the morning before heading to work at his regular job.

Next came real estate sales. He was the second-best selling agent in the company when his broker, who had a contract with HUD to maintain foreclosed houses, asked Bada if he had any interest in cutting grass.

"They realized there were areas in Detroit that weren't being cut," Bada says. "Unscrupulous contractors would take money and do nothing. So they asked me if I'd go out and cut [the lawns]. And being that I came from a working background, I said, 'Yes, I'll do it.'"

When the HUD contract came up for renewal, Bada bid on it for himself. And he won. But all of a sudden, 4,200 lawns needed to be cut. Now what to do?

"I called my wife's family. We all sat at the table and printed 4,200 three-by-five cards. All the ladies came. We laid a Detroit city map on the basement floor, made a card for each square mile where the houses were located and created routes."

Now he needed mowers, so he bought a few and put his family to work cutting grass.

"HUD was paying us \$5.50 a lawn, \$10 on the initial cut because the grass was 6 feet high. We brought all the nephews together. I gave them all the money I received for the initial cut, and \$4 a lawn thereafter. I kept the rest for checking to make sure the work was done properly," he says.

"The kids made \$10,000 and they all went to school. My son became an orthodontist. One nephew became an oral surgeon, another an emergency room doctor. And another one is a periodontist. And they all got their starts cutting grass."

Freelancing for work

By any standard, that first summer was a phenomenal one for the Badalamenti clan. But "once the contract was over, I had nothing to do," Bada remembers.

That didn't stop the resourceful entrepreneur, though. He started "freelancing," looking for other government contracts, all the time picking projects nobody else wanted—or jobs in which he could easily underbid the competition.

Like the two abandoned missile silos at Selfridge Air Force Base, now an Air National Guard facility in Michigan's Harrison Township. Other contractors were asking \$25,000 to \$30,000 to cap the gaping 20-foot-deep holes, but Bada said he'd do it for \$5,000. And he did.

Of course, it helped that the budding contractor knew a thing or two about hydraulics. "I knew that every hydraulic cylinder has a pin, and all you have to do is pull the pin to disable the door," he says. "Once the door was disabled, it was easy to pick it up with the crane. We just picked it up and put it on top of the silo, welded two I-beams across each door and sealed the holes."

Bada hired the crane and the welder. They started at 8 a.m. and left at 4 p.m. And in the process, the budding government contractor "made \$4,000 pure profit. I says, 'Oh my God, this is good.'"

But Bada insists that the real story here—"the story I try to tell everybody"—is not about what he did at Selfridge, but rather his "ability to see possibilities in the impossible."

Like the time he bid on a contract to dismantle the General Motors test track. "I bid a very competitive price, but I didn't get it," he says. "I was shocked that I didn't get it. But what I didn't know is that the fellow who bid against me was a scrap dealer. He just came in and cut all the steel down and sold the scrap. I never took into consideration you could sell the scrap."

But what Bada did notice was that the old test facility also had two monstrous hydraulic motors. So he asked the scrap dealer what he would take for them. When the response was \$500, Bada jumped at the deal. "I said to myself, 'They gotta be worth something,'" he says.

He made a call to New York, and was advised that a tugboat manufacturer there used the same motors Bada knew he had stored in his backyard to control their rudders. He called and told the tugboat maker, "I got two motors here." And he says, "What do you want for them?" "I didn't know what they were worth, so I asked him what he would give me for them. He said \$5,000 and I said OK," recalls Bada.

"He says, 'Don't do anything. I'll send my men to pick them up.' They were probably worth \$30,000 to \$40,000, but I was happy."

Whatever's needed

Another Bada business bromide: Don't accept the status quo.

"I've tried to teach this to the kids and everybody around me," he says. "There's always a better way, a faster way, a more reasonable way, a more economical way. And the hardest thing to get into anybody's head is the ability to think in those terms."

And then comes another story, this one about how he was winning contract after contract to mow lawns for local real estate brokers who had REO management deals with HUD when he was asked if he could make some repairs.

"They said, 'We need a door fixed,'" Bada recalls. "Well, I'm not a carpenter, but I went out and developed the skill to fix doors. And then they said we want you to hang windows and doors and board up windows—you know, sit on your knees on the sidewalk and cut boards to fit the windows according to the way HUD wanted. And it even got to the point where they wanted us to paint the windows. So we had to become painters."

That's the Bada way: "You kept reinventing yourself over and over."

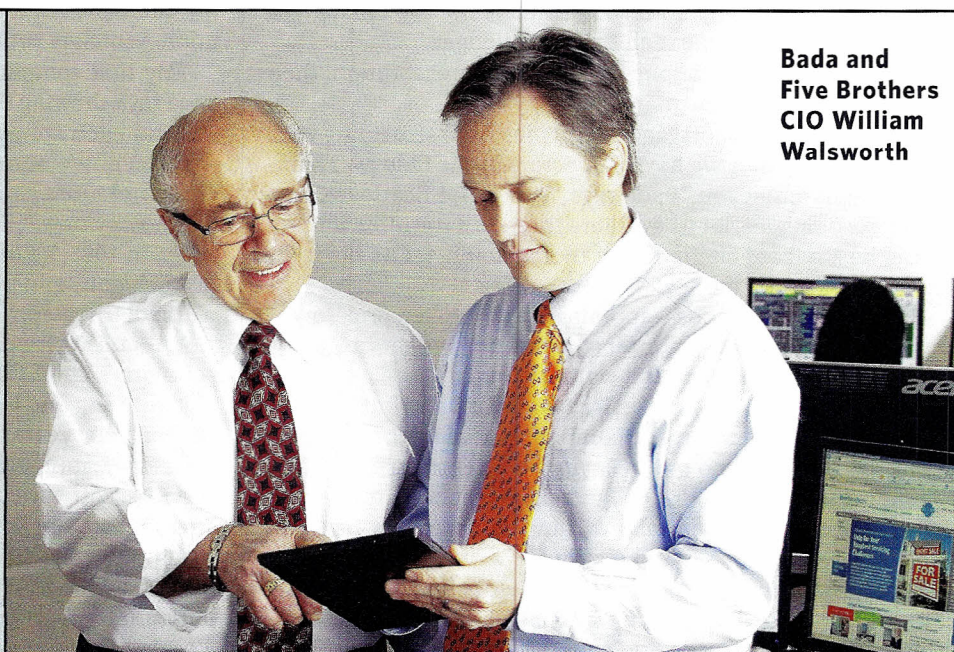
Like when HUD ceased awarding management pacts to realty brokers and started giving them to mortgage companies. Most of Bada's lawn business competitors—"all the guys who were in the same business locally that I was"—either went under or went to work for someone else. But "instead of me folding up my tent, I get in my car and start soliciting companies on a nationwide basis, writing to them, talking to them on the phone, telling them what I could do," he says.

His first client was Waterfield Mortgage, Fort Wayne, Indiana, which hired Bada to do property inspections, which simply involved driving by a property in default to see if it was vacant. Then he was given the task of knocking on doors to find out why people weren't paying their mortgages.

"If they weren't making their payments, we were allowed to knock on their door," says Bada. "And then the rules started changing. Today, we are licensed debt collectors. But in those days we were not. That's what you call 'adapting.' We kept adapting and adapting."

What developed was a business that is now known essentially as property preservation.

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**Bada and
Five Brothers
CIO William
Walsworth**



Five Brothers' executive management team

"Our job is to protect and preserve. Check and double-check, believe but verify. It's called quality control," says Bada. "We believe everybody, we trust everybody. We also check everybody."

"You go to the property, change the locks on the door, remove all the debris, remove all the hazards, remove all the flammables, board up the windows if they are broken, winterize. Basically, you put it in broom-swept condition," Bada explains.

Property preservation

As the business evolved, so did Five Brothers—from Five Brothers Lawn Service to Five Brothers Contracting to Five Brothers Mortgage Company Services. There wasn't any particular organized structure, just the addition of service after service as demand for them grew. And pretty soon, property inspections gave way to property preservation.

"It was kind of loose-knit," Bada says. "But like everything else in life, it kept getting more refined and more refined and more refined. You always reinvent yourself to meet new challenges, and as we've gone through the years, the challenges keep coming. And we meet all those challenges."

It started with inspections and property preservation, then it went to hazard-claims management.

"We noticed that mortgage companies were struggling with this, so we said since we have inspectors in the field every single day, let us assist you," Bada says. "When notifications come in for new damages, let us evaluate them to determine if there should be a hazard claim. And if there should, let us file it for you and collect the money."

Next came valuations—appraisals and broker price opinions, plus a quality-control mechanism for brokers to make sure the prices being reported were accurate.

"Sometimes our people are right on the money, but to make sure our banks and mortgage companies receive the value for their properties and no one's playing any games, we go to the city halls and we get sales for the neighborhood to make sure the value being reported falls within the necessary parameters," the Five Brothers founder says.

"Our job is to protect and preserve. Check and double-check, believe but verify. It's called quality control," says Bada. "We believe everybody, we trust everybody. We also check everybody."

And then there's asset management. "We bring [a property] in, appraise it and list it with local brokers, and we manage and preserve it during the entire process. We have a network of local brokers—just as Five Brothers has partnerships with contractors, it has the same relationship with brokers who know the neighborhood, the local community," Bada says.

"We find the best broker in the area who has a history of selling. We give him a two- to three-month period to sell the property. If he can't, we take it away and give it to another [broker] who can. But on average, 40 percent of the properties we sell come in higher than the asking price. And that comes from having a quality broker out there aggressively trying to sell the property in a business-like manner."

Technology backup

As the default-management business became more complex, Joe Badalamenti realized he needed to computerize his operation. Which is yet another tale.

"My first computer was this wide, this deep and this high," Bada says, drawing the outline of what might be a small sports car.

"And each storage unit was a box this high, this wide and that deep. We started writing programs, and it kept getting more and more complex, and I finally realized that we're into technology now."

So, in 1995, he hired a young man just out of the University of Michigan, and asked him to do this and do that. "And it worked! It scaled!," says Bada.

William Walsworth still has Bada's back, if you will, as the company's chief information officer. "He keeps the computer side running and I keep the business side running," Bada says.

Over the years, Five Brothers has developed a complete suite of customizable support programs to back up its field services, software that has allowed the company to become a one-stop source for turnkey default-management solutions.

There's a workflow-management system for ordering and tracking property preservation requests, a loss-mitigation program for loan modifications that meet federal regulations, a scalable document management and processing system, a

program that expedites Federal Housing Administration (FHA) claims and a Web-based storage system.

And then there's vacant property registration (VPR), a system that allows servicers to meet locally mandated vacant property registration requirements, quickly and efficiently. The program works as a bridge to local municipalities that continuously enact or modify ordinances regarding foreclosed homes, allowing servicing to satisfy locally mandated rules.

Hand-picked contractors

Today, Five Brothers employs about 450 people, who work in a series of four single-story office buildings along East 11 Mile Road.

Bada doesn't like to talk in specifics—"It tells your competition who you are and how they can get you," he says—but the company performs way north of 100,000 inspections a month, and has maybe 20,000 houses or so in preservation.

The work is parsed out to a network of contractors, a network Bada built one by one, city by city.

"I got in my car and I created my own nationwide network. When I first started in this business, I would actually go into these cities. I would advertise in the paper and interview applicants. I didn't sit here and wait for them to come to me. I went to them, and that's why this company is a force today," Bada says.

"I've driven to California, to New York, to Texas. In those days, it was too expensive to fly," he says. Even hotels were off-limits. "You didn't have the luxury of sleeping in hotels. You slept in your car just to keep going."

To this day, Bada still drives a lot. Once a month, "in the middle of the night, I'll jump in my car for a 10-hour drive" to call on clients. He can't visit them all, obviously. But he says he tries to maintain a relationship and contact with as many as he can to "make sure they're always happy with what's going on, and discuss how to do things better." And he still keeps a sleeping bag in his trunk.

And because Bada used to be one of those contractors, he takes special care to treat them right.

"The man in the field is who I am out there," he says, "and respecting him and making sure that he's being treated carefully is an important part of what we do."

He adds, "I have a high regard for our contractors because I was one. I know what it's like waiting for your money and the check hasn't come. That's a horrible thing to happen to anybody. So we try to pay them right away, and that costs us, because every now and then one guy goes bad."

The company keeps a scorecard on each contractor, constantly reviewing the contractor's work as part of its quality control. And once a month, as part of his own personal quality-control program, Bada will don some work clothes, hop into his car and motor to a few properties to inspect his inspectors. He thinks nothing of a 10-hour drive.

"We monitor them," Bada explains. "If they are late, if their work is not done right, if we have any kind of complaint, it's a mark against them. And the work is assigned to the ones who have the highest score. So they're the masters of their own destiny."

He pays a fair wage, too. "We never tell an inspector what we're going to pay," he says. "We ask him what he'll charge and

we select from the guys who give us the fairest price and the best work. If they can make a profit and I can make a profit, that's a win-win situation for everybody."

Close call

Bada has been in the business a long time. He has been in all kinds of neighborhoods, all around the country. He knows the preservation business first-hand, and that's one of the things that sets him apart.

"When we were on the street, myself and my son, we could not leave our truck because somebody would steal our tools," he says, launching into another story.

"In inner-city Detroit, 1959 or something around that time, me and my brother-in-law were boarding up a house when three young kids came up to me. One had a 22-caliber handgun. He points the gun at my face and says, 'Give me your money.' I'm sitting in a truck making out a bill, and I see they were kids, so I started to laugh."

The young tough didn't think it was a laughing matter, though, so he put the gun right between Bada's eyes.

"I says, 'Get that damn thing out of my face,'" Bada recalls, making a brushing motion as if he were knocking the pistol aside. "And he pulled the trigger. One kid grabbed me from that side, one kid grabbed me from the other side, and they were yelling 'Shoot his ass, shoot his ass.' And the little punk, about 14 years old, pulled the trigger."

Bada was quicker, though not quick enough to avoid the bullet altogether, as the scar on the fourth finger of his left hand attests. "I got the mark right here where he got me," he says, pointing to the wound.

"Your life is on the line in some of these crazy areas," he says. "I could have been dead. I didn't tell my wife about [the gun incident] for 10 years. I would have been out of business. And that's what these guys go through trying to make a living."

Still going strong

At 83 with 11 grandchildren and married 60 years to Fran, Bada is still going strong. His kids got him a personal trainer for Father's Day, and he now works out three days a week.

You can find him at the gym Mondays at 6 p.m., Wednesdays at 6 a.m. and Saturdays at 10 a.m., always prompt and ready to go. "I feel so good," he says, "I wonder why I haven't done this sooner."

But there's one more question: Why does he go by Bada and not Badalamenti? Here's that story.

"When I was in real estate, I had a deal on a house. A lady was calling me, and when she came in, she asked for Mr. Badalamenti. The girl at the desk didn't know who that was, so she passed her on to someone else and I lost the sale," Bada recalls.

"She meant me, but they introduced her to another agent. I got so hot that I went right to the courthouse. I said I need an alias as Joe Bada. That's how Joe Bada was started. Some people get it straight and some don't, but I keep telling them, put me down as Joe Bada. On all my legal work, I use Badalamenti, but for business purposes, I use Bada." So that's his story. **NB**

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