

Global Mortgage Group's Managing Director and Co-Founder on the Opportunity to Finance Global Real Estate & Alternative Assets

Global Mortgage Group describes itself as the world's leading international mortgage specialist. Based in Singapore with offices and partnerships across the globe, the firm connects its international high net worth clients to the firm's network of lenders around the world, offering real estate financing solutions in the US, UK, Europe, Canada, Australia, Japan, Thailand, Hong Kong, and Singapore. The typical clients include wealthy expats, HNWIs, UHNWIs, family offices, developers, investment funds, client advisors, as well as private banks. GMG has a network of over 300 direct lenders globally and works to devise solutions that ideally fit the needs and expectations of the clients. In the US, through a wholly-owned subsidiary, America Mortgages, Inc., GMG has assembled a similar infrastructure, offering over 150 US bank and wholesale loan products directly to international clients. The firm is even applying for a wholesale banking license, which is expected to be completed mid-year. GMG has extensive reach, and capabilities with offices in Hong Kong, Singapore, Shanghai, Beijing, Manila, Bangkok, Seoul, and the US in late 2021, Hubbis met with Donald Klip, GMG's CEO, to learn more about the firm, its mission, and its achievements to date.

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DONALD KLIP
Global Mortgage Group

“Our story takes us back over four years when Robert Chadwick and I, both US citizens, met in Singapore, got on well, and co-founded the firm. “We identified problems that existed for financing US real estate investments while living overseas and realised we needed to fix this,” Klip reports. “For example, despite some USD100 billion of US residential real estate being purchased annually by foreign nationals, only 20% used a mortgage, whereas, globally this percentage was more like 98%. The lack of financing options represented an opportunity for us to fix and ultimately help create a situation where securing an overseas mortgage was far easier and far more transparent.”

Going through the gears

GMG has moved fast and secured Seed Funding from Sparklabs Korea through their Korean bank LP funds and several well-known venture capital funds and investors in Asia in 2019 when the firm was incorporated. They launched the technology platform and then began scaling the business globally in 2020, and today has a team of

30 spanning their array of offices around the world. GMG is currently in the planning stages for Series A round, where they plan to fold in their technology aspirations.

“My own background is having more than 25 years of financial services experience,” Klip reports. “I founded one of Hong Kong’s earliest hedge funds in 1999 which grew then to USD200 million in AUM, and later managed the internal hedge fund at Asia’s largest family office at the time in 2002, and moved on to manage the global equity sales desks at firms such as Citibank, BNP Paribas, Macquarie, and China Construction

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Bank in the 10 years from 2004 to 2014. Meanwhile, Robert has a complementary background, having managed US wholesale lending for Fremont Bank and Morgan Stanley’s Saxton Capital.”

The core offering – residential property loans

For the purposes of this discussion, Klip says he prefers to focus largely on the core residential mortgage offering. “We are trying to democratise non-resident mortgages, making it far easier to borrow, bridging the significant gap in the market where banks are either unwilling to help or have qualifying requirements designed for its own citizens,” he reports. “We act as real estate financing partners for our clients who are

primarily external asset managers, some client advisors, and some of the smaller private banks who have clients seeking these requirements. We facilitate, we do not sell products, we advise and help.”

A typical transaction for a client referred to by a private bank would be to finance a GBP10 million home they own in Knightsbridge, London, or perhaps a hotel in Hong Kong, or even to help them finance the building of a golf course in Australia.

He explains that GMG has recently been facilitating an average of 50 loans a month across the core markets of the US, UK, Singapore,

Canada, and Australia. In these countries, the usual suspects of popular cities to purchase in are New York City, Los Angeles, San Francisco, Austin, Miami, Palm Beach, London, Vancouver, Melbourne, Sydney, and of course, Singapore, to name a few.

“We have seen many affluent families, especially from Asia, diversify from their home jurisdictions for a variety of reasons, including healthcare uncertainties, geopolitics, and so forth,” he comments. “Singapore has been a major beneficiary as well, of course, and we have been funding many deals here – primarily bridging loans. Sometimes these clients need access to funding rapidly in order not to lose out on investment

opportunities or fund operating capital in their home country. These types of bespoke bridge financings we can package can then be refinanced at a later stage to more traditional real estate loan from the typical lenders. So, in short, we find financing solutions that exactly align with our client's requirements and do not use a "one shoe fits all" approach.

Filling a large gap

"Without naming names, some of the boutique and well-known international private banks would not know how to help with these types of financing situations, and more importantly, they are not incentivised to help. We look at these opportunities in our credit committee, package something that works, and then bring it to the lender that we find appropriate. In total, we now have about 300 lenders globally; half of those are in the US. These range from mortgage banks, wholesale lenders, family offices, investment funds, pension funds, credit funds, to name a few."

Klip mines down into more detail of the specialist residential finance business they are involved in, noting that in the US, virtually every mortgage written is then shifted off-balance sheet, perhaps the RMBS or through Fannie Mae or Freddie Mac as government-controlled liquidity providers.. "And what is really interesting is that about 70% of all mortgages in the US are sold by wholesale lenders who are not deposit-taking institutions, and they like to work with us on these loans for non-US residents. The market is some USD100 billion of foreign purchases annually into the US, so it is vast."

He explains that while we started out as a US-specific mortgage

Getting Personal with Donald Klip

Klip hails originally from Singapore and was educated later on in the US at UCLA, where he studied pre-med and then became a bio-chemistry major. "I was going to be a doctor and save the world," he quips, "but ended up going to business school and studying for my Master's of Science in Finance, and then moved to Hong Kong right after 1995 and became a research analyst for an English stock-broking firm called HG Asia and the rest is history..."

Amongst highlights in his colourful career, at one point, he was joint founder of the Asian office of an independent Asian stock brokerage named MainFirst, which originally hailed from Germany. "Actually, we started from zero, built a team who went on to be awarded many accolades in Asia Money and Institutional Investor, the gold standard of ranking equity research firms – something we don't think will ever be replicated. We accomplished this all right after the financial crisis, and while we did eventually have to close our doors, we were profitable throughout the life of our company's short existence. I later helped China Construction Bank create a thriving capital markets business, growing from a small team to several hundred people in three years and handling around 200 IPOs; it was quite an achievement, really.

He is married with two children of 11 and 8 years old, both at the American School in Singapore, which he had attended when growing up. "I am really active at the school and participate as a room parent and a parent ambassador, helping promote the school to would-be parents. My wife works as a private banker at UBS, but we don't want our children to become bankers necessarily; we want them to have other interests and a different future."

He plays as much tennis as he can, even though he only picked the game up again fairly recently. "I must admit I am addicted," he reports. "I used to play more basketball but had back surgery earlier in 2021, so I needed a different pursuit, hence the tennis. Other than that, my time is spent with the children, family, or work, and I am also a voracious reader. I don't watch much TV or Netflix."

specialist, GMG has now branched out into the UK, Canada, Australia and other popular real estate property destinations. "Whereas in the US, we are retail and above, in the UK, Canada, and Australia, we are different as we

focus specifically on the HNW and UHNW market, so our team of ex-bankers was assembled to deal with more complicated structures, more sophisticated investors and lenders, not the typical big brand banks." Our lenders in these

countries are focused on onshore business, so they are happy to work with us, given our expertise in international loan demand.

Fair's fair

As to the revenue share, he explains this might be 50-50 for more straightforward deals or a more bespoke arrangement for more sophisticated or larger-ticket deals which is normally the case. While there is normally a minimum fee that GMG needs to earn, he adds that fees must be structured fairly. "We are not in the business of gouging these clients, even though they are not actually really our clients since we treat the private banks and advisors as our clients," he reports. "We do not try to make 3%, we try to make 1% on everything we do, we might do a bit better or a bit worse, but we are trying to build a track record in credibility, sustainability, and fairness."

"We need to make sure that those who refer clients to us are happy with both the outcomes and the incremental fees they can earn," he elaborates. "And remember that in many cases, this is far beyond their normal remit, so it is all additional revenue and additional client service at the same time. They are essentially working with us to find the value through the right solutions. EAMs, single-family offices, and multifamily office platforms value the relationship because we are a specialist service provider. So, for example, they will use the big banks as custodians, but they can work with us on funding solutions that are beyond the usual remit, for example, helping clients finance their superyachts, their commercial vessels, their digital asset portfolios, and of course, anything real estate related. We devise

Key priorities

One near-term mission is to complete the process of obtaining their own lending license in the US. Another objective is to complete another round of fundraising. The third mission is to then acquire lenders in the UK and Australia.

He expands on obtaining a lending license and later acquiring lenders. "We would rather tell banks and EAMs that we cannot help their client than to go down a road where we cannot control the outcome, so we choose partners that offer transparency and responsiveness," he explains. "But it will be even better if we can control the lending and underwriting, then we can create an experience focused exclusively on lending to overseas clients. Our aim in the US within the next year is getting a wholesale lending license and in Australia and in the UK, that could start off as a partnership and later as acquisitions."

Another mission is to boost the firm's ESG credentials, with plans afoot for each team member to go through ESG training. "It is something we can achieve without the huge cost, and that is core to our view of the future," he comments.

"We offer a variety of asset-backed solutions such as commercial vessel, yacht, and private jet financing," Klip reports. "We saw the opportunity for helping clients to monetise the equity in those assets for additional liquidity and in ways that traditional banks struggle to achieve, including high LTV funding, interest-only loans, and all at what is often an impressive turnaround speed."

solutions, and they like that. The result is that GMG has working relationships today with over 30 independent intermediaries and private banks globally, not to mention numerous client advisors – and this number is growing every week."

He adds that GMG is careful also not to step on toes. "For example,

if a customer wants to finance an Indonesian hotel, we do not, without consultation with the bank who introduced us, advise the client to perhaps pledge their Singapore property, because that could already be financed by the private bank, so we go to great lengths to understand the backdrop for each client and to make sure we do not interfere with



the bank's existing relationship. Again, we want this to be a win-win for all parties, and remember, as I said earlier, we're not here trying to sell anything. I think that really makes a big difference and why external asset managers like to work with us perhaps more than the private banks. We deliver for their clients, we fix problems, but we do not take those clients away, and we work in a transparent and open manner."

Seizing the broader opportunities

Aside from residential and occasionally commercial real estate, GMG has expanded into other types of alternative assets. In fact, the firm has a motto that if an asset 'Flies or Floats, we can Finance it!'

"The lending solutions we offer globally are not solely confined now to residential real estate, as the firm also offers real estate bridge loans. We offer a variety of asset-backed solutions such as commercial vessel, yacht, and private jet financing," Klip reports. "We saw the opportunity for helping clients to monetise the equity in those assets for additional liquidity and in ways that traditional banks struggle to achieve, including high LTV funding, interest-only loans, and all at what is often an impressive turnaround speed."

He notes that some of the largest shipping companies in the world are based in Asia, given the proximity to important trading routes. "This gives GMG a natural advantage to work with our Asia-based UHNW clients in the shipping industry who need liquidity options on their vessel fleet. Meanwhile, the global downturn in air travel has created strong demand in

the private aviation market as UHNW clients have pivoted to owning private jets given the lack of commercial travel options as a result of Covid-19. Some of our investors specialise in private jet financing, offering flexible terms and fast funding times.

The doors have opened wider

He explains that the pandemic had opened even more opportunities than they had imagined, with income and investment disruptions around the world, meaning that private banks find it more difficult to handle a lot of the financing they might have transacted before Covid-19 hit.

"As I explained, we have expanded beyond residential mortgages already," he reports. "Market conditions have conspired to make this opportunity far bigger for us, as traditional banks have become more stringent in their underwriting criteria, and as customers' income or profiles are less clear than might have been, so there is more demand for more bespoke lending facilitation beyond the private banks."

Given the potential tightness in the lending market in 2022, the firm has put particular emphasis on asset-backed financing, high net worth individuals, and non-resident mortgages for international real estate. "We now look at high-value complex specialty lending, basically structured debt or asset-backed lending, which includes share financing, debt financing, insurance premium financing, pre-IPO financing, and so forth," he explains.

Partners in alignment

He explains that the firm's relationship with the intermediary

banks or EAMs and works on a fee-sharing arrangement.

“We are trying to accomplish two things,” he says. “We are there to actually there to help their clients, and they feel good about it, they make some money, it is a win-win scenario. Aside from the core residential real estate loans, we might be funding early-stage land development that these intermediaries cannot handle, so again it is a win-win, as the bankers call us, we organise, for example, bridge financing to help a client convert land to a factory, and then maybe after one year that is refinanced as a traditional loan

package with a traditional bank. We are essentially helping to create liquidity while helping the banks and EAMs with their clients and not taking AUM away from them either. More broadly, we want to create the go-to company for any asset-backed financing, specifically real estate, globally, and we want to build for the future.”

Looking to the future

Klip closes the discussion by looking into his crystal ball. “The US residential market is vast, and as interest rates rise, the marginal buyer will be squeezed out, and this offers international investors the opportunity to build an investment

portfolio with rising yields there, and we are helping in that. And in other markets, for example, in the UK, France, Australia, and other jurisdictions, there is a similar opportunity, and there is the potential for both diversification, yield, as well as capital gain. Amongst wealthy investors, we see more and more demand to participate in these markets as they organise their financial affairs for their and their families’ futures. For example, a Hong Kong investor might be looking at education and lifestyle for family members in the UK or Australia, so we are doing more and more of these deals in those markets.” ■

