

Keep Your Eyes on the Finance Prize

You will close more loans if you help borrowers stay focused on their goals

By Yanni Raz

As commercial mortgage loans become a more popular option for borrowers, there are many opportunities for brokers to place loans for individuals who may not be able to borrow from a traditional lender. There's competition out there, and you need to have the right tools to make sure the borrower chooses to work with you and not another broker.

One way to establish your commercial mortgage expertise is to know your strengths, develop your niche and be transparent with your borrowers. Since commercial mortgages are more flexible, there are many ways you can shape the loan so that it works for the borrower.

Working with the potential borrower can sometimes be the hardest part of your job. Developing this relationship, however, can lead to higher commissions and future referrals.

Understand first

The relationship between you and the borrower is fairly straightforward. The borrower needs a loan and you, as a broker, want to find one that works for them. Of course, that's not all there is to it. When nonbankable borrowers come to ask for a loan, they often have questions.

They want to know things like why the interest rates are so high, what the payment penalties are and how quickly the loan will close. Commercial brokers should be able to sell the advantages and strengths of the mortgage to the potential borrowers, and also be able to work with them through any problems or questions they may have.

Of course, you want to make money and you can only do so by closing loans. You should not start off, however, by trying to sell the borrower on a loan product. The key to



Photo illustration by Karen Steichen

building a good rapport with the borrower is to first understand their business, financial history and overall goals.

Once you know what they are hoping to accomplish, you can use this to your advantage. If they are, at any point, unsure of the loan, you can remind them of their objectives and how the loan can help to achieve those goals. Help the borrower find their best loan option and remind them how this option will help them reach their business goals. After all, they are coming to you with a problem, so let them know how you can solve it.

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Communicate clearly

Considering that commercial lending is, more often than not, an art rather than a science, the key to the underwriting process is communication and transparency. In the case of the commercial mortgage business, it's more about the relationships between the lender, broker and borrower than anything else.

One hesitation borrowers have about working with commercial brokers is that many exaggerate their speed and efficiency. A good broker explains to the borrower roughly how long the process should take, instead of promising them an earlier time frame. The borrower will be impressed if the loan is processed earlier than you originally quoted. In the same vein, when it comes to rates, they often vary.

Don't promise the borrower a lower rate than you can secure for them. Explain to them the reason the rates are higher is because they're seeking a high-risk loan they would not be able to get from a traditional lender.

Because commercial loans are generally not as liquid as home mortgage loans, lenders cannot sell the loans to another source as easily. This means that a lender must accept the risk that rates will increase in the future, which means the lender might be stuck with a loan on their books that has an interest rate lower than the prevailing rate in the future.

As a broker, you can explain to the borrower that the lender wants to protect against that outcome, so this may be the reason why the rates for the loan being sought are a bit higher now. Be honest with the borrower and let them know where you are coming from. Some potential borrowers need to be educated on the fundamentals of commercial mortgage loans, and you can provide them with this information. This encourages communication and trust between you and the borrower.

Demonstrate the benefits

Another way to put your borrower at ease is to give them options. Because commercial mortgage loans are generally varied, the underwriter is required to look outside the box and beyond the numbers in order to come up with the right calculations.

This means the broker is able to provide various options for the borrower, as long as they include compensating factors and supporting documents. The borrower may feel trapped if they only have one financing option. You can make them feel more secure by offering them a fixed or adjustable rate, or a variety of loan sizes. Offering the borrower options is one of the many ways you can focus on the advantages and strengths that you can offer as a broker.

It is important for the broker to show the borrower all the benefits of the loan. Your job, in part, is to sell the loan to the borrower, and you can do that by focusing on the positives. As stated above, it is important to under promise the aspects of the loan that are not set in stone. You can, however, also focus on the aspects of the loan product that you know you can offer them. You can do this by educating the borrower on the subject of commercial mortgage loans.

Be thorough

As a broker, you have all of the information the borrowers need to make them feel more comfortable with the loan process. Transparency is not a bad thing. Explaining the loan's choices, costs, terms and features will make borrowers more likely to work with you. Provide as much information as you can to the borrower and do not hold back any potential problems.

Communication is a valuable tool, but two other important qualities are timeliness and attention to detail. Word of advice: Be thorough. Building relationships and getting referrals is important to you as a broker, but

an underwriter's job is to calculate the risk of the transaction, and either approve or deny the loan based on the information and documentation that is provided by the borrower.

Many borrowers coming to you for a loan have a problem with their credit. It is important to understand the potential borrower's credit and overall financial situation so that you will be able to determine if the mortgage will help the borrower and benefit their business. Your job is to help the borrower get a loan that they can repay. You would be doing yourself and the borrower a disservice if you neglected the numbers.



Two keys to making it in the business are knowing how to work with people and how to be incredibly thorough. It is not unusual for the potential borrower to be hesitant about the mortgage loan, but it is your job to make sure that it is in their best interest and that they know it.

Your transparency, efficiency, skill and knowledge will help you to develop strong business relationships and, down the road, will lead to more referrals. If you keep the borrower focused on their goal, and help them to reach it, you will close more loans and make higher commissions. ■