

# Tell Your Client's Loan Story

Close more deals by finding a lender that looks beyond the mortgage application

By Ryan Boyle

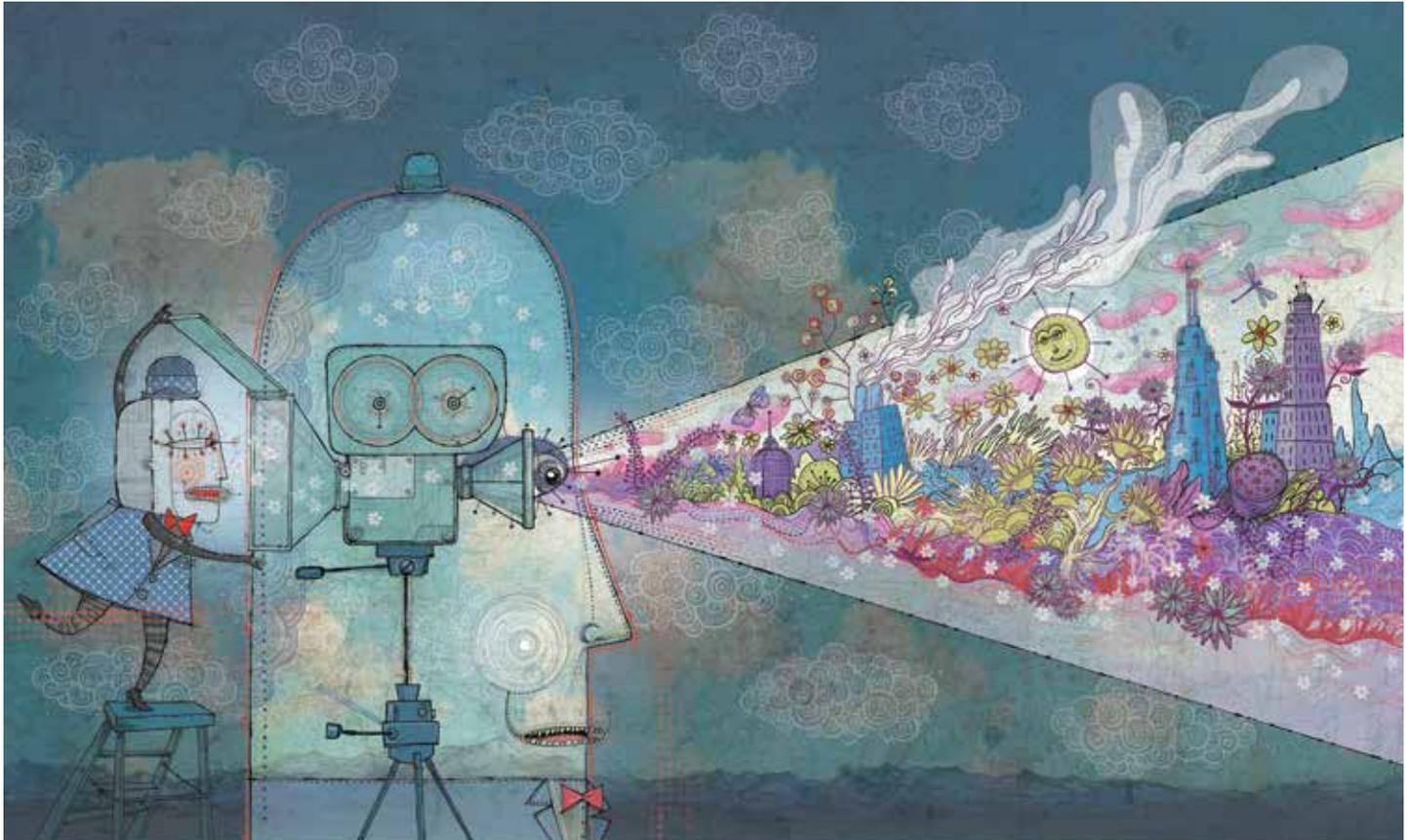


Illustration by Dennis Wunsch

**B**orrowers are more than pieces of paper, yet it seems they are often reduced to just that during the lending process. Some lenders, however, have the leeway to look beyond what is on the pages in front of them and see the borrower's full story. By becoming storytellers, commercial mortgage brokers can bring their clients' stories to life and close more deals in the process.

For borrowers seeking a small-balance commercial mortgage, obtaining financing can be a challenge. Banks and other traditional lenders are limited by strict regulations. They must follow specific guidelines regarding borrowers' credit scores and histories, the

types of commercial properties they can finance, and the sizes of the loans they can offer. It is up to mortgage brokers, therefore, to provide creative funding options to borrowers seeking small-balance commercial financing.

Enter the story lender. Story lenders are generally nonconforming lenders who serve commercial borrowers that banks can't or won't service. The small-balance commercial mortgage niche is a great option for brokers looking for additional products to offer their borrowers, because story lenders are willing to listen to your borrower's story and work to create a financing solution. Story lenders will help you close more deals and earn additional income.

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## Common sense

Unlike banks and other traditional funding sources, story lenders take the time to understand a borrower's unique financial situation. Because they aren't bound by the same types of regulations, small-balance lenders can delve into a borrower's underlying story and underwrite the deal based on common sense rather than a strict set of guidelines or a lending matrix.

Because of the regulations they have to follow, banks are often forced to see borrowers as nothing more than a number that either does or does not fit into their credit box. Think of it this way: If your commercial borrower were a high school student applying to colleges, the bank would be a school only interested in the student's SAT score.

Story lenders would be the colleges that take SAT scores into account when reviewing student applications, but also are concerned with their overall academic and extracurricular performance. In other words, story lenders understand that borrowers are more than just their credit score and will take the time to go through a borrower's credit report to understand the causes of past financial obstacles. Story lenders look beyond a borrower's scores and consider the factors that caused the scores to slip and the steps the borrower has taken to fix any issues.

Commercial story lenders also have a more nuanced understanding of small-business owners because they work with these types of borrowers exclusively. Story lenders understand that your borrower's tax returns don't always provide a complete picture of business success. They know the day-to-day operations of a small business are rarely as nice and neat as banks would prefer, and they are prepared to listen to your borrowers to find a mortgage solution that fits their needs. These lenders are willing to work with your borrowers to understand their financial situation using a variety of documents and discussions. Alternative documents, such as profit-and-loss statements,

rent rolls and bank statements, help story lenders piece together what is not present on paper.

At the heart of a story lender's approach is the ability to listen to and understand small-balance commercial mortgage borrowers and the challenges they face in operating their businesses. While bankers might sympathize with your borrower's past financial problems, their hands are often tied when it comes to funding the deal.

Small-balance lenders have more freedom and, as such, they can truly listen to your borrower's story. These lenders can take the time to understand your borrower's history to find ways to help address the individual's needs and goals. Story lenders will help you provide the right type of loan to achieve your borrower's objectives.

## Become a storyteller

If you're a commercial mortgage broker looking to work with small-balance commercial lenders and borrowers, you need to develop the crucial skill of storytelling. For story lenders to truly understand your borrowers and their needs, you must help your borrowers tell their story.

The first thing you and your borrower need to do is craft an effective loan-submission summary. This document is often overlooked, but it's important in helping the lender understand your borrower's story. The summary should include basic information about your borrower or borrowing entity, the property itself, your borrower's current financial situation and the plans your borrower has for the money upon closing.

Your borrower's collateral is a crucial story element in the lender's underwriting process, so it's important to collect as much information about the property as possible. Tell the lender what type of property your borrower owns or is looking to purchase, the size of the building, where the property is located, if they occupy any portion of it and how much income the property generates. Keep in mind that a picture is worth a thousand words — so send exterior and interior shots of the collateral.

Discuss your borrower's credit history to help the lender develop a full understanding of your client's financial situation. Explain any past issues your borrower has faced, as well as the steps the individual has taken to improve credit scores. Although story lenders are willing to work with borrowers whose scores are lower, they need to understand the story behind the scores to become comfortable with your borrower.

If your borrower's scores dipped due to late payment of medical bills, for example, a story lender will probably be far more likely to provide the individual with financing than if the scores are low because the person was behind on mortgage payments. Providing your lender with a written letter of explanation will help move your deal forward and increase your chances of getting it approved.

Additionally, it's important to discuss your borrower's business in detail. Explain what type of business your borrower operates, how the business is doing and how a small-balance commercial mortgage will benefit your borrower. Story lenders are all about listening, but if the deal doesn't make sense or will not help your borrower in some way, they won't be able to close the loan.



Story lenders are a valuable asset for commercial mortgage brokers looking to expand their business and close more loans. These lenders are willing and able to listen to you and your borrowers and to provide funding that makes sense.

To work with these small-balance lenders, however, brokers must be able to tell their borrowers' stories, because lenders need as much information as possible to properly underwrite loans. Brokers who understand the expectations of these lenders and become adept at telling their borrowers' stories stand to close more commercial mortgages and earn more income. ■