

How to Give Lenders What They Want

Work with hard-money lenders as though you could read their minds

By **Gillian Muessig**, president, SEOmoz

A FEW YEARS AGO, AN UNREMARKABLE-but-sweet movie called “What Women Want” depicted a boor of a guy who temporarily gains the ability to hear women’s thoughts.

He uses his new knowledge to get dates, to steal his new female boss’s ideas and more. But along the way, he learns a lot — and becomes a better guy for it.

The ability to read the thoughts of the people we do business with would make us all better at what we do. What if you knew exactly what hard-money commercial mortgage lenders really want? It’s nearly possible.

Private-money lenders can look at projects with a common-sense approach and make personal determinations. This can work to your advantage — if you know how to speak to them, what and when to provide documentation, and what else they need from you.

The loan scenario

A loan scenario provides your first contact with the lender. It is the “just the facts, ma’am” run-down of the loan specifics. If the lender has a form for taking down this information, use it.

It might not be the way to provide the information, and it might mean entering data you’d rather just relay over the phone. But here’s the rub: You want the deal to close, and you want the lender to say “yes.”

Give the lender the information it wants in the format it wants. Your chances of getting to the next approval stage will increase with this simple action.

If there isn’t a lender form, call — and be ready to follow up with an e-mail. Then, as with any meeting (phone, e-mail or in person), you have one chance to make a good first impression.

Converse with the lender in a manner familiar to finance people — concisely, precisely and thoroughly.

When calling, have the loan documents in front of you. Further, have the following information ready to provide so you can get a firm indication of interest or a quick “no” on the first contact.

- **Type of project:** Commercial, industrial, retail, etc.
- **Status:** Rented, owner-occupied, vacant, incomplete or under renovation

“Give the lender the information it wants in the format it wants. Your chances of getting to the next approval stage will increase with this simple action.”

- **Value:** And how it was determined
- **Location:** City, state and country
- **Loan-request amount**
- **Timeframe for closing**
- **Brief summary** about why the borrower is seeking private money rather than bank money

Armed with the above information, you’ll be ahead of other brokers who call the lender to request state information but who don’t have the tools to go further.

Getting a letter of interest

Lenders like clear, precise and concise communication styles. By presenting yourself as an organized, knowledgeable broker who doesn’t waste time, you will endear yourself to the private lender. You’ll get through to decision-makers more easily and receive faster responses to your calls and e-mails. And you could become

a preferred broker. This will help you close more loans.

Once you’ve made first contact and have an indication of interest from the lender, you’ll be asked to follow up with more information. In general, expect to have to provide the following to get a letter of interest:

- **A term sheet**
- **Photos of the property** (inside, outside and the neighborhood)
- **Profit-and-loss statements for the subject property and company**

- **Personal financial statement** on the borrower
- **A concise and thorough executive summary**, which should include descriptions of the property and use, the purchase price and date, the financial assurance, the exit strategy, the use of funds and the equity

Some lenders can provide a letter of interest within an hour of submitting the documentation. So it behooves the wise broker to get this information from the borrower before making initial contact.

Because you are dealing with private lenders, you can often get a letter of intent based on only one photo. In some cases, such as for a newly constructed property, you can receive it without having providing profit-and-loss statement.

Just bear in mind that it’s no skin off the lender’s back to provide you with a letter of interest based solely on your verbal assurance that your deal is fundable. So remember that getting that letter of interest isn’t a guarantee that a deal will close.

Be prepared

Have your backup paperwork ready to e-mail. Each lender has a slightly different process for closing loans. Ultimately, the process is designed

Continued ...



Gillian Muessig is the president of Seattle-based marketing firm SEOmoz. With many years of experience serving clients in the hard-money commercial real estate sector — including Avatar Financial Group, www.avatarfinancial.com — Muessig provides expert advice, analysis and industry forecasts in print and online media. Muessig can be reached at gillian@avatarfinancial.com.

REPRINTED FROM *SCOTSMAN GUIDE* COMMERCIAL EDITION AND SCOTSMANGUIDE.COM, FEBRUARY 2007

All rights reserved. Third-party reproduction for redistribution is prohibited without contractual consent from Scotsman Publishing Inc.

Give Lenders What They Want

... Continued

to assure the lender that its investment will return with interest in a timely manner. Lenders don't want to foreclose on the property and be a property-owner. They want to lend money, make a profit and go on to the next deal.

Obtaining borrower-signed documents can delay a closing. So ask the lender early on for a list of required closing documents. For faster funding, get these lists to your clients to help them get a head start on obtaining what the lender will need.

Then follow up with your client frequently to ensure the documents are ready when they are needed. Below is a reasonable list of what you should be prepared to send the lender before the loan is funded:

- **Current, signed financial statements**
- **Use-of-proceeds letter**
- **Rent rolls**, if the property is rented
- **Credit authorization**
- **Prior two years' tax returns**
- **Appraisal**, which the lender usually orders
- **Opinion letter**, prepared by the borrower's attorney
- **Corporate-structure statement and entity documents**
- **Insurance information**
- **Title report and survey**, provided by a reputable, national title company
- **List of equipment and inventory**
- **Payoff documents from current lenders**, if applicable

■ ■ ■

Hard-money commercial lenders are not so different from bankers. They want to know they are lending out money that they will see back in their hands, safe and sound, with a reasonable return on investment in a set time. No big surprise there.

Ultimately, with the right tools and knowledge, you can communicate with lenders as though you could read their minds. **!**