

Get Niche Quick

Avoid selling the same products as everyone else — and reap the potential benefits

By **Glen Weinberg**, chief operating officer, Fairview Commercial Lending

THOUSANDS OF COMMERCIAL brokers sell essentially the same product. If the number of transactions declines, the number of brokers chasing the same deals balloons.

To stay competitive, brokers can look to niche, or underserved, markets. The keys to success in niche markets are identifying one or more markets that you can understand, targeting them effectively and knowing niche lenders' requirements.

First, you must define the niche markets you want to target. There are profitable niche markets everywhere. One market is small-business-owners with poor credit and little equity. Another underserved market is commercial property-owners with substantial dings on their credit (such as bankruptcies) and impaired property (e.g., with a cash flow that does not support traditional loan requirements).

To become a niche-market expert, learn about the various specialty products available, such as no-doc loans and hard money. Most lenders provide training to educate brokers on their products, underwriting guidelines and processes. If they do not provide formal training sessions, most are willing to provide ad-hoc training on their products on the phone or in person.

Be cautious in selecting your underserved market. Many brokers fill their pipeline with deals that will likely never close. This occurs because brokers do not understand the parameters of specialty lenders. Therefore, before focusing on a particular niche, you should ensure that it fits within some lenders' guidelines. You are more likely to close more loans if you try to fit each scenario into a lender's guidelines than if you find several scenarios and try to fit them with lenders randomly.

The example of credit-impaired borrowers with impaired property is a viable niche, assuming that there is ample equity in the property. In this case, the loan could fit in a no-doc commercial mortgage.

After defining your market, you can begin the process of targeting that market. To seek leads in a particular market you should first follow the basics of networking in the community and conduct advertising campaigns. You also should target particular clients or referral sources.

For example, to target the no-doc market, a broker could focus on some of the following possible referral sources:

- **Small to mid-size banks:** Often, these institutions have loans they must get off their books because of credit issues or payment issues.
- **Attorneys and certified public accountants:** They can point you to clients who need cash quickly to rectify a situation with the Internal Revenue Service or local tax authorities.
- **Other brokers and bankers:** Many brokers and bankers only specialize in prime lending. They see deals all the time that fall out of the prime-lending requirements.

You could also target the borrowers directly. Continuing with the no-doc market example, one could target the following types of borrowers who have substantial equity in their commercial properties:

- **Time-impaired (need quick cash) or credit-impaired borrowers**
- **People requiring a nonrecourse loan**
- **Foreign nationals**
- **Property-owners with a building that is not cash-flow-producing**

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You will have to try out various strategies to see what works for you in your market. You will most likely go through multiple iterations before determining the right formula for success.

But by focusing on underserved markets, you can not only effectively adapt to the rising rate environment, but you also just might excel in it. **■**



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