

Seeing Is Believing in Lending

Meeting with prospects face to face is the best way to seal the deal

By Igor Zhizhin

In a world dominated by e-mail, text messages and social media, people can go through their whole lives interacting with business associates they have never met in person. Just because online interaction is the status quo, however, doesn't mean it's the best course of action.

Commercial mortgage brokers are always looking for an edge over the competition and face-to-face interaction can give them that edge. By reaching beyond computer screens and extending a friendly hand, mortgage brokers can build stronger relationships and, consequently, close more deals.

In our technology-driven society, traditional business development is practically extinct. The internet and mobile technology have created a commercial lending culture where transactional efficiency has replaced meaningful personal interactions with interactive portals.

Continued >>



Igor Zhizhin is president of American Street Capital LLC (AMSTCAP). AMSTCAP is a national mortgage banking company with institutional correspondent relationships specializing in stabilized and bridge debt placement for multifamily, owner-occupied and investment properties. AMSTCAP is nationally recognized for its industry-leading volume of production and customer service for small-balance loan requests. Reach Zhizhin at (312) 224-1390 or izhizhin@amstcap.com.

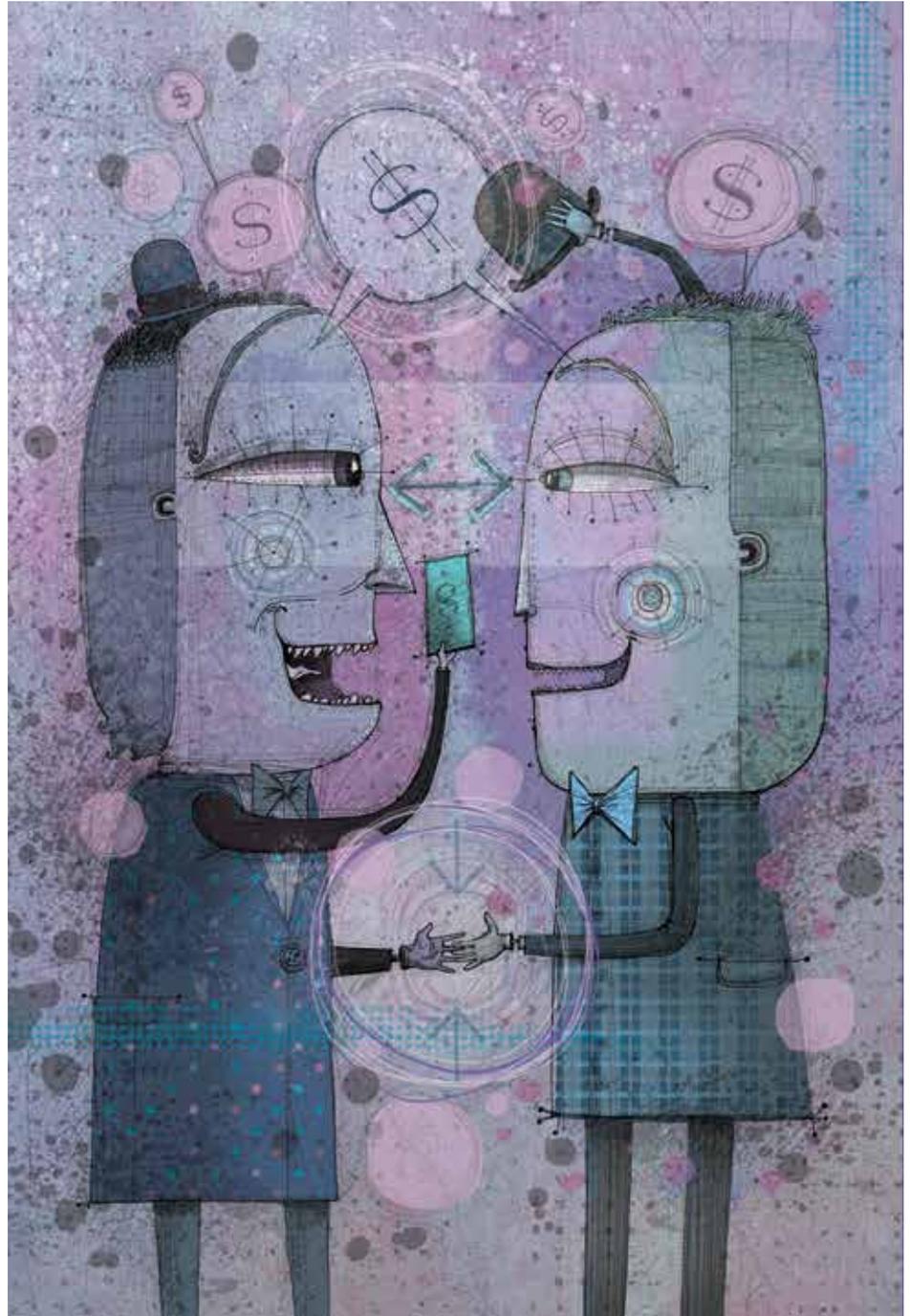


Illustration by Dennis Wunsch

<< Continued

While increased efficiency clearly creates a strategic advantage, the ability to look a prospect in the eye and personally conduct a site inspection prior to a loan submission can establish rapport, legitimacy and validity for a commercial mortgage broker in a way that, to this day, no computer can match. The most difficult-to-secure sales scenario is a guaranteed private audience with an ideal prospect for at least one hour in an informal setting. A game of golf remains the default marketing tool in business because, for at least three hours while playing the course, a prospect cannot escape socializing in a low-pressure environment that also opens the door for a serious business discussion.

Rapport

When a mortgage broker spends money and time to meet a prospect, there is an unwritten obligation to reciprocate with time and attention. Assuming the mortgage broker demonstrates industry intelligence and uses basic rapport-building skills, it should be their deal to lose.

Always meet at the subject property, as asset quality is a leading decision factor, and the broker must see the property anyway. Show proficiency by discussing the key factors necessary to close the loan. It is also important to point out any concerns and challenges, so the prospect understands their situation is not guaranteed and requires a seasoned professional that can proactively mitigate problems to deliver the most desirable loan terms.

Always follow the formal meeting by sharing a meal. Without establishing common values, relationships and experiences, the prospect will only remember the formal inspection and consider the broker another forgettable option motivated more by the transaction than by them personally.

Spend at least an hour discussing anything but the transaction. The more you can establish what you have in common, the more the client will feel the broker is genuinely offering a solution in the prospect's best

interest. Upon returning to the office, the broker must promptly send a handwritten card, including a small gift specific to the prospect's interests. This will help the broker transition into the role of an acquaintance, if not a friend. When that prospect decides who will represent them, they will naturally prefer the person they have met and whom they feel they know over a transaction-motivated stranger.

Legitimacy

Commercial lending is not an industry for the uncertain or insolvent. A laborious documentation process is required for any loan, regardless of its size. Nonrefundable deposits regularly exceed \$25,000, with failure leading to the loss of great opportunity and economic costs. A mortgage broker, therefore, must establish unwavering faith in their ability to execute plans if they hope to be hired.

Many brokers are trained to immediately direct prospects to their websites to complete an online application. Shrewd borrowers, however, are skeptical of the anonymous testimonials found on almost all commercial mortgage websites. The lack of any personal attention unsurprisingly makes a prospect feel commoditized. Naturally, the prospect will associate this transactional attitude with the broker, putting the sale at risk.

From the first communication with a prospect, it is paramount that a mortgage broker offers a personal interview. Expressing empathy, while allowing someone to explain their situation, is the most effective way to create a human connection. Asking a few strategic questions to verify eligibility helps the broker establish their knowledge of the industry, and establish concern for the prospect's unique situation. If a prospect's financing needs seem achievable, it is important to schedule a follow-up meeting at the subject property. When a mortgage broker offers to meet a prospect at the property, it instills confidence in the client.

Borrowers know mortgage brokers must close a loan to be compensated. If a successful broker is willing to invest the time to see a prospect, clearly the broker must be confident

they will close the loan. If a broker is willing to fly and meet a prospect without any obligation on the part of the prospect, the resulting relationship will give the broker a strategic advantage that would be difficult for competitors to overcome.

Any business-development professional that self-funds a prospecting trip must feel assured they will close the loan, and must be a very successful, high-volume professional to pay for it. While many mortgage brokers are unwilling to risk spending money on site visits, they fail to realize the economics are in their favor. If offered a strong \$5 million deal with a minimum potential fee of \$25,000, why would any competent mortgage broker ever hesitate to spend \$750 to be guaranteed extensive one-on-one time with a prospect?

Validity

Successful mortgage brokers avoid prospects that are not financeable, are overly difficult or are a threat to their reputation. Just like a prospective client, a mortgage broker needs confidence that the prospect is ethical, legitimate and committed to the loan process. Prior to the site visit, the mortgage broker must verify and be prepared to discuss credit scores, litigation, foreclosures and bankruptcies. Unfortunately, in the present lending environment, there is ample opportunity to falsify occupancy, solvency and debt yield.

It's impossible to sufficiently gauge a person's honesty via e-mail. The best example is a rent roll. Unless a mortgage broker spends time at the property, it will be impossible to completely verify the accuracy of a property's supposed occupancy. During a proactive, self-funded private visit, prospects are generally more open to questions regarding the accuracy of their paperwork. Also, during such a visit, a broker can effectively validate sensitive and often embarrassing information versus an initial call or an accusatory email that will almost always guarantee that the relationship is terminated.

For any commercial loan asset, quality is a primary factor in loan approval. Most mortgage brokers blindly depend on mapping technology,

Continued >>

<< Continued

internet images and prospect-provided photography to verify the quality of the asset, yet loans can be cancelled due to factors like environmental hazards — which a photograph or mapping technology would not detect. A site inspection also gives brokers a chance to become a hero by explaining which nominal repairs can save a loan.

The site visit also is the perfect opportunity to evaluate deferred maintenance. Substandard amenities or safety hazards lower occupancy rates and drive away tenants willing to pay market rent. Indifference toward deferred maintenance will eventually lead to forced evacuations, liquidating cash reserves and — in dire situations — abandoned mortgages. Personally verifying asset quality ensures a mortgage broker's reputation continues to be measured more by the volume of performing loans placed than by the volume of loans originated.

The informal meeting with a prospective client is the best time to evaluate ethics and personality. It's amazing what individuals will disclose during a meal in a relaxed environment. Prospects will blatantly request to have their paperwork changed, or will divulge that they are party to multiple undisclosed defaults. Reputation is a broker's main competitive advantage, so having access to a prospect's true motivation is worth 10 times the cost of a site inspection.

It cannot be overstated how important client commitment is to the loan process. A seasoned broker must use the informal meeting to evaluate the client's loyalty, past borrowing experiences and sophistication. By asking the right questions, a savvy broker can quickly evaluate if the prospect is sourcing a loan directly, if past loan experiences have created irrational suspicion and determine the depth of their understanding of the mortgage process.

This information is only available through a physical meeting in an informal setting, and it can establish how likely you are to avoid the worst-case scenario: a client-initiated loan cancellation. The level of client buy-in often is the best predictor of a smooth loan process.



Although automation in commercial lending is valuable, relationships and personal interactions are vital to success. When demonstrating a genuine interest in a prospect and their property through personal interactions, brokers avoid competing in a faceless transactional environment. This helps brokers establish confidence and rapport, and helps brokers avoid representing inferior properties and challenging clients.

Personal connections with clients also establish a virtually unbreakable foundation for future business and referrals. By always remembering to treat prospects with the same individualized personal attention that brokers hope to receive from their clients, they can ensure human interaction — not technology — remains the key to a successful mortgage-broker career. ■