

# Dos and Don'ts for Surviving a Lenders' Market

There still is worthwhile funding out there for brokers who can approach lenders effectively

By **Jerry Sager**, senior managing director, First National of America

**A**LTHOUGH COMMERCIAL MORTGAGE brokers now face a lenders' market, good loans are still finding financing. Lenders may be more cautious in the deals they choose to fund, but you still can attain funding if you seek the correct type of lender, approach it properly, present the property well and manage clients' expectations. If your clients' business and property are viable, they will always be attractive to lenders regardless of economic tides.

There are some tips you can follow to continue to place loans in this environment. Implementing some best practices will help you place loans now and also could improve your workflow once the tides turn. Learning how to talk the lenders' talk and anticipating their informational needs can improve the chances that they will consider your transaction. Doing so also can expedite the loan process.

Here are some general rules to adopt to survive in this environment.

- **Don't call a lender if you don't have all the facts about the property** or if you are ill-prepared to discuss the deal's details in a preliminary call. Do make sure that you have all the facts and numbers in front of you during the conversation. This could include the profit-and-loss statement, balance sheet, business plan, operating history and any other documentation your client has given you.

- **Don't overshop the loan.** Do research and seek specialized lenders that focus on the type of property you are attempting to place. Specialized lenders are experts in their asset classes and will know all the nuances and pitfalls of a particular property type. In addition, finding

a specialized lender will save you the time and effort of having to educate a general commercial lender about your clients' specific debt needs in their asset class. You also will minimize the risk that a banker will value the property incorrectly and will evaluate only the real estate value without considering the potential operation's enterprise value.

- **Don't mislead, manipulate or oversell lenders or your clients.** Expect lenders to perform thorough due diligence. Exaggerating will affect your credibility and potentially an efficient closing. Do provide lenders with a realistic overview of the property and of your client's background and business. Your objective should be to develop a long-term, professional relationship with the lender and your clients.

- **Don't let too much time pass after your conversation with the lender before following up.** Do follow up promptly and forward all documentation you have discussed. The impetus is on you to forward the information, not on the lender to follow up with you.

- **Don't have unrealistic expectations in this economic environment.** Do educate yourself and your borrowers about key lending parameters used for that transaction type. Manage your clients' expectations. Present your transaction in a way that shows the lender how the loan makes sense from an economic and credit perspective.

- **Don't be overly protective of borrowers.** Do understand that lenders will need direct contact with borrowers — particularly with respect to specialty loans — to assess their experience, business plan and financial performance.

- **Don't pressure the lender or have expectations for unrealistic time frames for closing a transaction.** Do trust your lender. Recognize that it relies on the borrowers and third parties for information. The lender's progress typically is based on the timing and quality of the information provided.

Although following these best practices will not necessarily guarantee loan placement, they are solid principles to follow in all credit environments. Following them likely will improve your chances of a successful closing.

Remember: Although lenders' guidelines, including debt-coverage and loan-to-value ratios, may seem more stringent in this marketplace, their due-diligence practices have most likely not wavered. **!!**



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