



By Chris Gleason
Managing director
MMG Capital LLC

5 Steps to Presenting Deals to Private Lenders

Knowing how to package your loan request is key to securing funding

MORE BORROWERS ARE SCRAMBLING for financing solutions that no longer exist via traditional means. As more banks close their doors and guidelines are continually modified and tightened, commercial mortgage brokers are watching options for their clients' financing disappear. This is where private lenders come in.

These hard-money lenders fill a large part of the void in the financing marketplace. Borrowers are realizing that they may not have another option and are beginning to turn to private lenders for their loans. As a mortgage broker, you have to be ready for the demand that will be placed on you by borrowers who are ready to make a deal any way they can.

Because closing deals with private lenders may soon become an important source of mortgage brokers' incomes, you must understand how best to work with them. Getting acclimated to private lending will only make you more valuable to your current and future clients and put you in the position to close loans on files that you might otherwise have to turn down.

In addition, it's important to understand how private lenders work because they are an odd bunch — no two are alike. Each one has different likes, dislikes, parameters and procedures. Private lending is as much subjective as it is objective, and private lenders come in all shapes and sizes.

Unfortunately, brokers will never be able to figure out every private lender. Instead, you must develop an understanding of your targeted lenders and find a way to efficiently present deals to them. You'll never be able to submit your deal to all private-money lenders exactly the way that they want it. To do so would mean endless hours of editing, retyping and repackaging.

There are, however, some basic guidelines that you should follow when you decide to submit files to private lenders. The most important thing to remember is that you're dealing with people, not computers or automated underwriting systems.

Following the five steps below will give you a better chance at getting the people that are looking at your deal to think that you're worth their time — something that can, at times, be half the battle.

1. Put down your pen

First: Type your deal presentation. Nothing screams "I'm probably not worth your consideration" more than a handwritten loan submission.

There's an abundance of technology available these days, and you don't have to take advantage of all of it. You do need to implement some simple word-processing and data-input skills into your arsenal, however. Handwritten files can be tough to read, sloppy-looking and altogether frustrating to a private lender. Taking the simple step of typing all your loan requests will get your deal into the pile on the right side of a private lender's desk.

2. Organize your data

Beyond typing the information that you're presenting, it's also important to make sure that you hand it over in a manner that is easy to sift through.

Labeling the information you send to a private lender — whether by electronic file name or packaging the information in a PDF — will not only get your loan request reviewed more quickly but also will make your submission look impressive. When lenders can sort through data efficiently, they're not only more likely to question less of your

information, but they're also more likely to take the time to try to find solutions for you.

3. Keep it relevant

Every private lender is different, and each company will look for different information when evaluating the feasibility of your loan request. Although it's not possible to tailor your loan submission to every lender, it's also not a good idea to send everything that you've gathered on your client and assume that the lender will pick out what they want.

Unnecessary information not only frustrates lenders, but it also makes them think that you didn't bother to do any research on their lending or submission guidelines before you sent them your deal. At the least, irrelevant data is going to get in the way of the lender reviewing the data that counts, slow down the process and make your file a hassle to review.

4. Pay attention to detail

Private lending isn't a "no questions asked" ballgame anymore. Lenders want to develop a complete understanding of your borrowers, their situation and their plan. If your information leaves out details, makes details confusing or conflicts in any way, your file is going to be red-flagged.

Often, these things happen simply because mortgage brokers overlook things,

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Chris Gleason is the managing director of MMG Capital LLC, a nationwide private-money lender. MMG provides collateral-based loans for residential and commercial purposes. The company has never charged any upfront fees for due diligence. Contact Gleason at (310) 295-1121 or chris.gleason@mmgcap.com.

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misinterpret what their client is telling them or don't take the time to double-check their facts. For a lender, however, this misinformation can trigger the "What are they trying to hide?" question. At the least, misinformation forces lenders to have to ask questions, which takes up more of their time — and can lead to the conclusion that your loan request isn't worth it.

5. Be prepared

Lenders understand that you must close deals to make a living as a mortgage broker. They also understand that the mortgage industry can be a numbers game for its players. That doesn't mean that you can afford to shoot files to all types of private lenders without ever getting involved in the information.

You will be asked some detailed questions about your loan request at some time in the review. When you don't know the answers or continually have to check with your client, it can do one of two things. First, it can make lenders think that you're taking your time to decide what the answers to the questions *should* be — in other words, you're trying to figure out what the lender wants to hear. Second, it can make the lender think that perhaps you're not actually the client's broker and instead you're a broker to a broker. This is commonly referred to as a broker chain, which is becoming renowned for leading to all sorts of problems from loan review all the way through closing.

Take the time to get to know your client's situation and loan request. Your job

is to review files before the lender does and have all of the answers ready. It's your responsibility and it's what you get paid for, so make sure you don't take the task lightly.

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Taking these steps doesn't transform the actual quality of your client's loan request in any way. It does give it an appearance of quality, however.

Just like job interviewers, private lenders are a subjective bunch, whether they want to admit it or not. Every refined detail can only work in your favor in the long run, especially if you plan to do repeat business in the private-lending arena. Take time to present your deals carefully to private lenders. It will increase your chances of success. ●