

HOW TO SUCCEED IN A TUMULTUOUS MARKET

Plan and Strategize.

BY GLEN H. WEINBERG



Everyday a headline story is published stating that another lender has gone out of business and/or is no longer offering certain products. Each time you try to place a loan it seems like the products are changing constantly, commitments are being rescinded by lenders, and

closings are substantially down. With events like this, many wonder how or if they can even weather the storm. Unfortunately, most will not be able to weather the storm without being proactive. Those that can will emerge stronger once the market stabilizes.

In any market downturn it is imperative to be proactive and anticipate market changes. A simple Five-Step Process is extremely helpful in a rapidly changing market:

- 1.) Evaluate/Plan
- 2.) Get back to the basics
- 3.) Diversify
- 4.) Become an expert
- 5.) Continue strategy adjustments as the market continues to oscillate

EVALUATE/PLAN

First, you need to evaluate both the market changes as well as how you fit into the changing market. Many residential products are no longer available to certain borrowers (i.e. 100% financing) and the products that remain have changed their standards (>650 for many light documentation products). For example, if someone specializes in credit impaired borrowers with little or no money to put down on a purchase, it will be difficult, if not impossible, to be successful in this new environment. During the evaluation stage, it is helpful to make

a list of all the products you currently offer listing your three most common client profiles. Once this list is complete, analyze how/if the borrowers fit into these products. If the borrowers do not fit into the products, research if there are alternate products still available for these borrowers. If there are no longer products for these borrowers, evaluate what types of borrowers do fit into the available products. After evaluating the landscape, create a plan to target the borrowers and products that fit together. What is most critical is locating borrowers that fit the products you know you can offer as opposed to locating a multitude of borrowers and trying to fit their specific needs into the product. By following this advice, substantially less time will be consumed focusing on deals that will likely never close.

GET BACK TO THE BASICS

The next step in excelling in a changing market is to get back to the basics. Back to the basics means that you cannot simply rely on the phone to ring and hope that word of mouth will bring viable transactions in the door. In go-go days the sheer volume of transactions allowed many brokers to become complacent. Unfortunately, in the current market, it is critical to be proactive and not wait for deals to walk in the door. Seek out your target audience through building and establishing personal relationships. By physically meeting with someone, you have a greater opportunity to impact their decisions and transact business rather than just having a brief phone conversation. To be successful in getting back to the basics, develop a plan and stick to it. For example; a goal might be to meet five new people everyday and call ten prior contacts to touch base and see how everything is going with them. By getting back to the basics, you substantially differentiate yourself from the competition.

DIVERSIFY PRODUCT OFFERINGS

Along with getting back to the basics, brokers must also diversify their product offerings. With less available business, you must offer a full spectrum of products to succeed. For example, if an individual solely focused on residential conforming products, they are likely losing substantial business from their existing client base. For instance, a current client might have recently gone through a divorce that has impacted their business cash flow (i.e. this client owns a dental practice and the building it occupies is free and clear.) If a broker is solely focused on residential conforming products, they likely just lost a very viable commercial transaction. One area that many brokers should add to their mortgage tool belt is commercial loans. With proper training, commercial loans will allow brokers to diversify their product offerings and not be solely dependent on the residential market.

BECOME AN EXPERT

Before fully implementing a new product, it is vital to not only ensure that you fully understand the new product inside and out, but also that you become an expert on the new product. By becoming an expert, you distinguish yourself significantly from your competitors. You will have a better understanding of the products, benefits, etc... and be able to sell these benefits to your clients. To gain the required knowledge, it is important to spend time learning about the various specialty products available (No-Doc, small balance commercial, hard money, etc...).

Most lenders provide training sessions to educate brokers on their various products, underwriting guidelines, and processes. If they do not provide a training session,

most are more than willing to provide ad-hoc training on their products over the phone, in person or via the internet. The information gathered from this training is critical and will enable you to properly place loans that will fit a particular lender and ultimately close.

CONTINUE STRATEGY ADJUSTMENTS

The final step in the process is to continue to evaluate the market changes and your plan as defined in step one. The current markets are extremely fluid and therefore your plan may need to be adapted or completely changed based on events occurring in the market. For example, you might begin offering small balance stated commercial loans and soon find out that the product has become commoditized and facing margin reductions. You could then adjust your plan to focus on non-prime commercial loans (i.e. no-doc commercial loans) where each loan is unique and the margins are considerably better. Adjusting your plan will ensure success in a rapidly changing market.

The market gyrations appear that they will continue for the short term. Brokers have a decision to make. They can either continue with the status quo or adapt to the changing times. By following this five step process, a broker can anticipate and adapt to the market challenges and substantially differentiate him/herself from the competition.

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