



IDENTIFYING SMALL BALANCE COMMERCIAL LOAN OPPORTUNITIES

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— L E N D I N G —

Agenda

- Why do small-balance commercial?
- How to identify opportunities
 - Property types
 - Borrower types & motivations
- How to build leads
 - Top referral sources
 - How to market yourself
 - How to handle objections
- How Blustream can help
- Resources & contact information

Why do Small-Balance Commercial?

- Build and diversify your business
- Take advantage of market forces
 - Residential going down
 - Rate increases mean decline expected in residential refi market
 - Commercial going up
 - MBA Commercial Real-Estate Finance (CREF) Outlook Survey 2017 reported that loan officers expect commercial loans to increase by 5%
- Flexible compensation opportunities
- It's easy!
 - We are your partner every step of the way

Identifying Opportunities: Properties to Target

- ✓ Multi-Family Housing with 5+ Units
- ✓ Blanket loans on multiple, multi-unit buildings (2+ units with a total of 5 units)
- ✓ Office Buildings
- ✓ Retail
- ✓ Mixed Use Residential
- ✓ Mixed Use Commercial
- ✓ Light Industrial
- ✓ Mobile Home Parks
- ✓ Storage Facilities
- ✓ Automotive
- ✓ Warehouse

Identifying Opportunities: Properties to Avoid

- Hotels and Motels
- Nursing Homes
- Single Family Residences
- Multi-Family under 4 units
- Rural Properties
- Churches
- *Some* Single-Tenant Investor Properties
 - E.g.: restaurants, liquor stores, pot dispensaries, franchises

Identifying Opportunities: Other Red Flags

- Rural location
- Heavily deferred maintenance
- Occupancy issues (high vacancy rate)
- Short-term leaseholders

Identifying Opportunities: Borrower Types

- Owner-Occupier
 - Borrower who will do business in the property
 - Small- to medium-sized business
 - May currently rent space in which they operate
 - May own space and need to refinance
 - Building essential to business success (location, type, etc.)
- Investor
 - Borrower who will NOT occupy the property
 - May be first purchase or adding to portfolio
 - May be inherited

Borrower Motivations: Owner-Occupiers

- Purchase location for business
- Purchase additional location
- Refinance to reduce debt and increase cash flow
- Refinance to replace maturing balloon loan
- Refinance to get cash out
 - Debt consolidation
 - Equipment purchase
 - Operating capital
 - Partner buyout
 - Acquire other properties or investments
 - Fund other business needs

Borrower Motivations: Investors

- Refinance existing property
- Diversify portfolio
- Refinance in anticipation of balloon payment on existing commercial real estate property
- Refinance to get cash out
 - Return of equity
 - Buy additional properties

Building Leads: Borrower Shopping Process

- Typical borrower profiles
 - Real estate investors
 - Small- and medium-sized business owners
 - Above borrowers who have had difficulty finding traditional financing
- Where do they find financing?
 - They ask friends or “trusted advisors”
 - These “trusted advisors are your referral sources
 - They DON'T go online, they don't read the newspaper, they don't look at print ads

Building Leads:

Types of Referral Sources

- Top 2 referral sources
 - Existing clients
 - Banks and Credit Unions
- Other sources
 - Appraisers
 - Realtors
 - CPAs
 - Origination Colleagues
 - Financial Advisors
 - Local/National Organizations

Referral Source Focus: Existing Clients

- Check the REO section of 1003s – who owns commercial properties?
 - Maturity Date
 - Payment
- Questions for self-employed prospects
 - DO you own the building you operate your business out of?
 - DO you rent or own your current space ?
- Get to know their friends and business associates
 - Who is their accountant/lawyer?
 - “If I have any questions, can I call the accountant listed on your tax returns?”

Referral Source Focus: Banks and Credit Unions

- Many banks & credit unions have commercial opportunities they can't service
 - A referral to another commercial lender could replace/impair the relationship
 - They want to keep the deposit
 - **THEY DON'T RUN THAT RISK WITH YOU!**
 - You are doing them a favor by letting them keep the relationship
- Reasons a bank/credit union can't do a loan
 - Location (out of service area)
 - Property type (too concentrated or credit policy)
 - Restrictive underwriting
 - Time
 - Not profitable

Building Leads: How to Market Yourself

- Be focused!
 - Choosing a specific target saves time and money
 - Focus on a type of property, type of borrower, or referral source
- Top marketing channels
 - Online social networks (LinkedIn)
 - Update your profile saying you offer SBC
 - Join relevant groups
 - Follow industry publications
 - Repost industry relevant articles
 - Smile and dial
 - Local events & organizations
 - E.g. - CBA, CREW

Building Leads: Handling Objections

- Pricing: commercial loan sticker shock
 - “This is not residential. It’s an investment.”
- Doing fine renting
 - “Do you have a long-term lease? What if you need to make changes to your building?”
- I can’t afford to buy my building
 - “Your mortgage payment is likely to be same as your rent payment. Can you afford not to build equity?”
- My tax returns don’t show a profit
 - “We have lite doc and bank statement options”
 - These are special for Blustream
- Too hard
 - “We have lite documentation. Our underwriting is quick, efficient, and very transparent.”

Building Leads:

Selling Points for Blustream SBC

- Purchase, refi & cash out up to 80% LTV
- Alternative underwriting standards
 - Lite doc and bank statement
- Quick closes
- Alternative property types (storage, mobile home parks, automotive)
- Up to 30 year amortization

How Blustream can help

- Lower rates than hard money lenders
- Flexible underwriting
 - Full doc, lite doc, bank statement
- Two-tiered pricing based on property type
 - Multi-family and mixed-use have lower rates
- Quick turnaround
- Local account reps
- Continuous training, starting in April

Contact Us

Approved brokers

- Please contact your local Account Manager

To become an approved broker

- Please call 888-415-1620

Important Links

Blustream

<http://blustream.com>

SBC Forms

<http://blustream.com/resources>

SBC Guidelines & Flyers

<http://blustream.com/wholesale-loan-programs>



QUESTIONS?