



FIVE TIPS TO EXPEDITE FUNDING YOUR LOAN REQUEST

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The number one goal of a borrower is to get their loan request funded as soon as possible.

How and to whom you present your loan request is essential to streamline the Five tips to expedite your loan request and get your loan funded:



1. Know the Lender Category to Target Before Making a Request.

To keep it simple, there are two lender categories: 1) conventional lenders (i.e., banks, credit unions, life insurance companies, conduits, etc.) or 2) private or hard money lenders.

To distinguish which lender category to target, you need to know; the timing of the close, the loan type and the creditworthiness of the borrower.

For example, if the loan needs to close in two weeks, then it's not a loan request for a conventional lender. Alternatively, if it is a request for a long-term permanent loan on a new, fully-leased apartment, it is not for a hard money lender.

Does the loan have to close fast? Is it a construction loan, a short-term bridge loan, a rehab flip loan, a permanent loan? Does the borrower have credit issues? These are a few questions to answer that will help to decide the right lender category.



2. Know the Borrower if You are the Broker.

If you're the broker, it's important to know your borrower's "hot button." A hot button is the most important issue to the borrower in the loan request, i.e., timing, loan size, low rate, low fee, easy process, etc.

If you know what is most important to the borrower, you can direct your efforts to the right lenders.

For example, if a borrower insists on the highest leverage loan possible at the expense of timing and paying higher financing costs, then the hot button is high leverage. This is what you need to zero in on when choosing a lender.



3. Know the Specific Lenders you are Targeting.

Know the active lenders in your specific market and research those lenders product types. This is where strong lender relationships are important and brokers with extensive connections can be extremely valuable.

A lender's capacity for different product types changes periodically, so if a lender declined a specific loan type in the past, they will not necessarily decline it in the future.

The better the relationship with the lender, the more you know what they are looking for and the better chance you have of getting your loan request considered for approval.



4. Summarize Your Loan Request in an Executive Summary.

Once you have identified the potential lenders that may be interested in your loan request, document your request in a brief executive loan summary (no more than 1 page if possible). Sent within an email is acceptable and often the preferred way to communicate.

A loan summary that is concise and easy to understand will move your deal to the top of a lender's loan request list. This applies to both conventional and private money lenders.

Consider the following checklist items to include in your executive loan summary request:

- Loan amount.
- Purpose of the loan.
- Borrower name and brief borrower resume/experience/summary of financial information/credit score.
- Loan term requested and the exit strategy, if a short-term loan.
- Purchase price, or existing debt if refinance, any cashout.
- Timing of close.
- Loan terms & pricing desired.
- Property location & description. Give specifics on age, size, and sq.ft. etc.
- Existing net operating income (cash flow) from the property in the last two years or pro forma net operating income if a proposed project.
- Current occupancy.
- Valuation estimate, LTC and LTV ratios/underwriting the DSCR, if applicable.
- Exit strategy/Source of repayment for the long-term loan.
- A brief explanation of any potential problems with the borrower or the property (i.e.: past bankruptcy, litigation, environmental issue, etc.) If there are any skeletons in the closet, be sure to expose them upfront.

[See link for an example of an executive loan summary template to use when making your initial pitch to a lender for a loan request.]



5. Provide Necessary Documentation at the Right Time.

In the initial introduction of your loan request, include an executive loan summary with the salient facts only and no additional detailed information. This applies to both conventional as well as private hard money loan requests.

Do not overwhelm the lender with documentation on the initial request. The key is to include only the primary information in an executive loan summary in the initial request. Make it as easy as possible for the lender to decide if your loan is one to pursue.

Once the lender has expressed interest, additional detailed information in the form of a loan package will need to be provided, including; financial statements, bank statements, tax returns, borrowing entity information, purchase agreement, preliminary title report, photos, etc.

The extent of additional information required will depend on if it is for a conventional lender or private money lender. Usually, private money lenders require much less information and can close more quickly with fewer restrictions.

[See link to "helpful hints" on what to include in your loan package for a typical conventional loan once the lender has expressed an interest in pursuing your loan.]

After a lender has reviewed your loan package and wants to move forward, they will usually issue a letter of interest or an application documenting the loan terms and third party reports required to get final loan approval.

Conclusion:

To expedite your loan request, know the lender category you are targeting, and know your borrower's hot button. Once the potential lenders are identified, send your request in an executive loan summary with only the main facts. Keep it simple and concise to improve your chance of a lender moving forward with your request.

Remember, brevity, clarity, and relationships are the keys to accelerating your loan requests for funding.

