

How Commercial Mortgage Brokers can Earn \$250,000 (or more) annually

After 20 years as a private mortgage/hard money direct lender, I have dealt with over one thousand commercial mortgage brokers. The most successful ones approach their business uniquely different than the unsuccessful and middling ones. I have broken down these 'success' approaches into 5 categories

1. **The high income earners specialize;** the mediocre earners take everything that comes their way. You can specialize by property type (apartments, office buildings, land, hospitality, triple net, etc.), by loan type (hard money, private money, refinance, SBA, etc.) or even by borrower type (low credit, bankruptcy, foreign national, etc.). When you specialize, you become more and more expert in a smaller arena. The benefits are numerous, most importantly that borrowers and other mortgage brokers come to you when they have a loan that fits your specialty. It is much easier to gain name recognition in a specialized area than it is as a generalist. Further, a thorough knowledge of the field of your specialization means you'll stop wasting time on undoable deals in which you have no competitive advantage, and close a higher percentage of deals – within your area of specialization.
2. **Get thoroughly familiar with 15 -20 direct lenders in your area of specialization.** Most mortgage brokers shotgun borrower applications to each and every lender they can find that even marginally may be interested in the type of loan they're peddling. As you well know, this wastes an enormous amount of time and effort. The very high income brokers I know have a limited number of lender contacts that they become intimately familiar with as regards to lending criteria, speed of execution, available capital, as well as who the players are at the lending company. Again, the result is a much higher percentage of closings, as well as a higher 'profile' in the eyes of the lender.
3. **Have a complete package ready BEFORE you send an application to a lender.** I can't tell you how annoying and unprofessional it is from a lender's perspective to receive information piece meal; to have to continually go back in an effort to obtain a full file. I have numerous instances where it took 5 – 10 emails, phone calls, etc, and still never received all the basic information. Listen, when you send an application to a lender with a complete file, the lender will regard you as a professional worthy of his/her time. When you waste your own time and the lender's with loan applicants who can't or won't provide complete information, frustration results, and you are less likely to receive any consideration from the lender on future loan requests. Also, as importantly, inform your borrower *up front* that they will have to pay for an appraisal, environmental, and possibly legal documents. Nothing worse than doing all the work of getting preliminary loan approval and then discovering that the borrower can't – or won't pay for an appraisal. It's your job to set the borrower's expectations. Which leads us to
4. **Educate the borrower.** Low earning mortgage brokers tell the borrower *anything* to get the borrower to agree to representation, promising unrealistic interest rates, unrealistic terms, no appraisal fess, etc. Hey, if your borrower has a property with little or no cash flow that can't cover debt service, has a weak history of real estate success, and a low credit score, he ain't getting a fifteen year 6% loan. Explain to him the facts of life; his only option is a hard money loan, 12 months at 12% interest with 4 points. In other words only deal with loans that can close and where everyone is fully informed. Anything less wastes time and effort – and as a broker those are two of your most precious commodities!

5. **Only engage in transaction where you can add value.** Yup, this is the toughest for brokers to get. It means turning down business. You may think you can't afford to turn down business. Actually the opposite is true. By working on deals where your expertise adds no value, you are either competing with a million other brokers with the same or better expertise, or you're engaged in one of those endless daisy chains that rarely ever close where there are 4 brokers all in for 1 point. The problem with this is twofold – first you lose credibility with your lenders, second you spend time on low margin low probability deals when you should be spending time either working a high profit high probability deals or marketing for leads for those deals.