

A Nonbank Option

Considering a nontraditional lender? Here are some suggestions

By **Penn Ritter**, co-founder, president and CEO, Business Lenders

IN THE FILM *GLENGARRY GLEN ROSS*, Jack Lemmon plays a commercial real estate veteran struggling to make sales. Lemmon's troubles are magnified by a rival colleague who makes selling property seem as easy as selling buttered popcorn at the movies.

During the robust 1980s, selling small commercial property was significantly easier than today. Whether it was new construction or renovation, property was hot, and commercial brokers didn't have to work as hard to sell small commercial buildings. But things have changed. These days, commercial brokers are trying new techniques to move smaller properties. And they're finding success.

A nontraditional partnership

In the past, brokers could usually count on small-business borrowers to find their own financing to purchase buildings. Today, financing real estate is not a cinch. Nevertheless, brokers are in a favorable position to close more deals by working with nontraditional commercial lenders that are equally interested in closing those same deals.

Some nonbank lenders that specialize in financing commercial properties encourage brokers to line up financing before making their sales. Along those lines, here is some broker-friendly advice.

Consider nonbank SBA loans

Nonbank, U.S. Small Business Administration (SBA) "preferred" lenders have the advantage of financing loans that are processed faster and carry flexible terms. SBA-backed loans offer lower monthly payments, which automatically increases a broker's pool of potential clients to purchase more properties.

Loans financed through a nonbank SBA lender carry a nominal prepayment penalty. Borrowers who are in a position to pay off long-term loans earlier than anticipated shouldn't be penalized for their success. With SBA loans, they won't be.

Borrowers interested in financing more than the purchase of a building can do just that with an SBA loan. Partnering with a nonbank lender can help your clients find financing for equipment and moving expenses, lease hold improvements and working capital to grow their business in a new building. This additional financing helps encourage a borrower to buy that building.

Target franchisees

There's no question that brokers are finding buyers in the franchise arena. And just as franchisors are marketing themselves to potential franchisees everyday, the creative broker should consider marketing specific buildings to franchisors.

To meet the varying goals of prospective franchisees, nonbank SBA lenders offer loans of varying amounts and terms. Most will lend as much as \$2 million with a nominal prepayment penalty and with typical terms of 25 years for commercial real estate property.

Nonbank SBA lenders know the market and are able to advise prospective franchisees on the balance-sheet strength of particular franchisors. And inspiring the confidence of prospective franchisees in their financing terms is critical.

Helping borrowers determine the amount they'll need to spur growth without tying up cash flow is crucial. Small-business borrowers may be wary of being rejected by banks in which they have accounts.

To meet their concerns, brokers might want to recommend that they borrow through a nonbank lender instead because nonbank lenders take no deposits.

Earn referral fees

Earning lucrative referral fees is another benefit that brokers will discover in partnering with a nonbank lender. Many nonbank lenders rely almost exclusively on brokers for new loan originations. Without a network of bank branches to source new business, nonbank lenders must rely heavily on their broker network. Those nonbank lenders hungry for new business and with aggressive target volume goals will offer lucrative referral fees to brokers that source quality new loan applicants.

In short, brokers who maintain a creative outlook and build relationships with aggressive nonbank lenders could close more deals in both good and tough times. **///**



Penn Ritter is co-founder, president and CEO of Business Lenders, a leading nonbank "preferred" SBA lender in Hartford, Conn. Business Lenders offers small- to mid-sized companies loans from

\$250,000 to \$5 million for real estate, franchising, equipment purchases, growth and expansion, acquisitions and cash-flow improvement. Business Lenders can make loans anywhere in the United States. Call toll-free at (877) 345-6267 or visit its Web site at www.businesslenders.com. Ritter can be reached at pritter@businesslenders.com.

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