

A New Niche for a New Year

Diversify your product offerings and income stream with small-balance-commercial loans

By **Salomon Wancier**, vice president of marketing communications, Silver Hill Financial LLC

LIKE MANY OTHER RESIDENTIAL mortgage brokers, you may be wondering which alternative products can boost your income in the year ahead. It might be wise resolve to work smarter, not harder, in 2007 by diversifying with small-balance-commercial loans — aka, commercial loans of less than \$5 million.

The recent *Boxwood Means/Scotsman Guide 2006 Small-Balance Commercial Mortgage Brokers Survey* suggests that residential brokers considering a move to commercial can experience success as a dual or “hybrid” mortgage broker — working with commercial and residential loans.

Thousands of brokers already have found small-balance-commercial loans to be a profitable addition to their lineups, and the opportunities could continue to present themselves. Brokers who invest the time to educate themselves on the small-balance-commercial market and who take advantage of the programs available can boost business during the residential-market correction — and beyond.

Realizing the perks

The rewards in the small-balance market extend beyond higher commissions. According to independent research firm Boxwood Means, small-balance-commercial originations topped \$134 billion in 2005. In addition, the commercial real estate market continues to experience growth, even as the residential market cools and contracts.

Further, the small-balance-commercial sector is attracting brokers and borrowers with new product lines. Some lenders have designed programs and training precisely for residential

mortgage professionals to ease the transition into commercial.

In addition to the fall in refinances and home purchases in the residential market, brokers cite other reasons to explore small-balance-commercial loans, such as:

- **Less competition:** Fewer brokers offer commercial loans, and the market is less crowded than residential.
- **Less interest-rate driven:** Brokers stand less of a chance of losing deals by being undersold.
- **A new sustainable, profitable revenue stream:** Brokers can earn more money per transaction, compared to residential loans.

Aside from the income, another positive about small-balance-commercial loans is that many of the borrowers who need financing are clients or contacts you already know. Target borrowers are often the same people brokers have been working with on the residential side — small-business-owners, entrepreneurs, professionals with their own practices, first-time investors and more.

If you don't know them, someone in your circle of influence likely does.

Gaining knowledge

Smart brokers begin with education to overcome any intimidation they may have about offering commercial loans. Most residential professionals who have diversified with commercial loans find that with the right lender partner, small commercial transactions are much easier than they previously thought.

Lenders can offer a variety of education options designed to increase the comfort level of residential mortgage professionals who are

working with commercial transactions. These can come in variety of formats, such as online modules, live seminars, Webcasts, conferences and special events. Learn the basics about the commercial market as well as specifics of the lender's program. Choose the best fit for your schedule and preferred learning style.

Trade associations also offer beginning courses on commercial, with trade shows often featuring breakout sessions or additional sessions on commercial lending. Entire conferences even have emerged with the purpose of helping brokers become more adept at understanding and working with small-balance-commercial transactions.

Training and education is readily available; you need only take advantage of it.

Getting off the ground

Where to start? Consider an action plan from the education stage to pre-approvals.

Potential loan opportunities are not hard to find. Brokers new to commercial often find that multifamily is the best transition into commercial lending, simply because the real estate is most similar to residential and properties are just about anywhere. The more-advanced property-types likely will become easier in time.

Remember that small-balance-commercial loans are a logical extension of your product offerings and allow you to serve more borrowers. You can attract and keep more business by being a “dual” mortgage professional, while bringing value to referral partners who may not have a resource for their clients' commercial real estate financing needs. In addition, you can reach out to new referral sources, such as Realtors, insurance agents and investment clubs.

The investment of your time will pay dividends for your business. And that's one New Year's resolution worth keeping. **!**



Salomon Wancier is vice president of marketing communications for Silver Hill Financial LLC in Miami, a nationwide commercial real estate lender that offers financing to borrowers through a network of mortgage brokers and correspondents. The company's innovative residential-style program makes commercial lending easy as residential, using flexible underwriting criteria ideal for borrowers seeking loans from \$100,000 to \$1.5 million. For more information on Silver Hill, please visit www.silverhillfinancial.com or call (888) 988-8843.

For a 30-day small-balance action plan, visit scotsmanguide.com/wancier01

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