

## Financing Tips

**Talking to a commercial banker for small multifamily \*not residential for house hacking**

### **Pre-Work That's Needed:**

Before talking to a banker have these items completed ahead of time:

1. Personal Financial Statement (PFS)
2. Have 2-3 years of tax returns
3. Credit Score - They will prefer a high score, but banker's know this is just a "trend" and not the end of the world. If you have a score below 700, be able to explain why

### **Make a list of banks and call down the list using the following info:**

What's worked for me:

1. Small local bank and credit unions - do not use the large banks like Chase, Wells Fargo or other similar options
2. Ask other investors, investor Facebook Pages, and REIA events. This should give you a pulse of what's available in your area.
3. A possible very valuable strategy: call other local banks in small cities in your greater investing area, the small towns may have options that haven't been saturated with investor money over the past few years. This may be a super high \$/hr activity for you.
  - a. To give you an example of this, if you lived in Green Bay WI. You can call the Green Bay local banks. But hitting banks in Wrightstown, Denmark, Seymour, Pulaski, Bonduel, Luxemburg, etc will be where you may just find a goldmine with better interest rates, and a bank that's hungry for business.

### **Calling A Banker:**

When calling a banker, start off with something like this:

- A. Call the bank, and ask for their commercial lender, hopefully you have a name though due to networking or word of mouth.

"Hey Mrs/Mrs. Banker, my name is \_\_\_\_\_ and I want to call and introduce myself. I buy small multifamily rentals, and have my PFS and tax returns ready for you. I wanted to call and see what investor products you have. Would you mind walking me through what products you have, otherwise I have a short list of questions I can run through"

### **Loan Products/Important Pieces:**

- Amortization lengths for the loans
- ARMs/Balloon duration
- Interest Rates (understand they will vary and this isn't a hard #, it fluctuates)
- Their preferred LTV/down payment
- Construction - Are they able to add a rehab scope of work and build that into the loan
- After Repair Value Appraisals (sometimes called As Stabilized) - Rather than an "As Is" Appraisal. This is huge if you are doing the BRRR model and want to bring less \$ to the table. You are able to skip the second REFI and just build that rehab into the appraisal, and thus the loan. These banks are hard to find, but some of them will use these appraisals. They may only use these on experienced investors as a FYI.
- What is their seasoning period before they would accept a new appraisal once the project is stabilized? (if they don't do ARV Loans) - 0 months, 6, or 12 months are usually the standard once a project is stabilized.
- Are 10% seller credits allowed
- Once an investor has a property under contract, send the contract and what they are looking for to ALL lenders they would consider working with. Lenders balance sheets fluctuate. They could be satisfied with their ratio of loans to deposits or they could be hungry for more. This puts an investor in a position of choice at the beginning rather than waiting for an answer one by one.

### **Final Steps:**

- A. Once you get a property under contract you can shop your deal around and find which bank "really" wants to jump in the deal with you. Send your deal, PFS, and Tax Returns to EVERY bank that you would consider using.
- B. If a bank is serious, they will want to order an appraisal. Go ahead with the bank that most aligns with your goals and fits the deal.

### **Some "Extras"**

- A bank is your "business partner." Banks may be the only entity that will loan you money on your first few deals. Respect the money, and their trust in you. Make sure you are willing to do whatever it takes to make the project succeed. "Be bankable" and bring them good deals that satisfy what they are looking for (LTV etc).
- Be easy to work with. Be organized with your documents, timely with email responses, and on time. Under promise, and over deliver. I cannot stress this enough.
- Rapport is built over time. They will have a lot of clients. The best way to build rapport is to stand out and make their life easy without being a try-hard.
- Ask them a question every once in a while, like "what do a lot of investors do that you hate, or is a pet peeve?" .... Then... don't do that thing.
- If any of this real estate lingo doesn't make sense to you, that's okay!! However, if you are going to be an investor, you need to speak the language. Build your edu and skills. You are an investor, your actions should reflect that.
- Whenever possible, try to put yourself in their shoes. Most people think "what's in this for me" and that's why they don't stand out. Be Rare.