

# What makes a great commercial submission?

In the second part of The Financing Hub's special commercial series, **Paul McGill** talks to other industry experts to find out the essential elements of a successful commercial file

**WELCOME BACK** to our series on commercial brokering. In this instalment, we will look at the essential ideas you should be capture in all your commercial applications before you send them off to lenders.

What should go into a commercial application is a broad topic filled with obvious (and not-so-obvious) points, such as the importance of capturing adequate borrower information or what to do when permits become a mandate within the submission. To create a guide that could be captured in one article, we went out to four industry experts to get their views. They came back with some great benchmarks you need to meet before hitting that 'submit' button.

Remember, commercial placements tend to be a little more complex in nature than typical residential deals. Lenders see a lot of applications that may seem strong on the surface, but don't go anywhere in the end because there just isn't enough information to allow the lender to complete its due diligence. Because of this, lenders often need to make early decisions as to which appli-

cations will move forward and which will get declined. To ensure your clients have the best chance of funding, you need to make sure yours are the applications lenders are happy to commit their underwriting resources to.

## Know what your client really wants

Thom Henderson of Community Trust says that as a broker, you need to make sure you know what your client wants versus what their true needs really are. For a commercial transaction, leverage may be more important to the borrower than pricing; term may be more important than maximizing LTV.

Unlike an individual looking to maximize their house purchase, your commercial borrowers may have any number of business considerations that impact their funding requirements, Henderson says. Those business requirements may dictate that one financing factor outweighs another. For example, when closing triggers a significant benefit for the borrower, pricing or term may be less of a factor.



Henderson stresses that as a broker, you need to know what your client's key factors are so you can help them get what they really need. Structure your application to entrench those critical factors, and be aware of what can and can't be negotiated if your lender comes back with an alternative offer.



### What is the lender being asked to lend against?

Curtis Power of KV Capital believes that to submit a strong application, you should provide a realistic assessment of the underlying property 'as is' as one of your starting points. This can be some combination of an

appraisal, borrower's cost base or current NOI calculation supported by lease contracts, where available. If there are near-term renovations planned or required, Power says, those should be detailed in the as-is assessment, even if your current requested funding isn't intended to cover those costs. Future plans

## ANOTHER LENDER PERSPECTIVE



My fellow commercial lending colleagues have made great points with regards to the submission process and 'full picture' of a commercial application. One other important factor is the need for an agent/broker to convey to their clients the value of working with the commercial lender that is chosen. Relationships play a large role in getting a transaction to the finish line. Working with a lender whose values mirror those of the client and agent/broker is one of the keys to success.

Efficient turnaround times, longevity in the industry, reputation and reliability are important attributes that need to be conveyed to a client. That way it becomes easier to understand a client's needs, as well as obtain all necessary information for a successful transaction. Communication forms trust, and trust can be a deciding factor between a client's willingness to follow through on the submission process.

### Andrew Ramdeholl

VP of commercial origination  
MCAP Commercial Mortgages Group

for revenue enhancements or expansion are important additions to your submission, but you need to ensure your lender gets a view upfront of where they are starting from.

Power also points out that many positive 'as is' factors are often not included in the early submission, either. Don't neglect to

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include a discussion about location if the property is in a prime location. If there are any large or long-term tenants, that can also add a favourable element to the lender’s analysis of the property’s revenues.

### C is for character

Darren Lorimer from Equitable Bank offers a reminder that the first ‘C’ in the five Cs of credit stands for character. In this case, that means each commercial submission must include a comprehensive view of the borrower(s), guarantors and company principals attached to the file. This comprehensive view extends not only to the borrower’s financial information, but also includes background on the borrower’s experience.

Unlike an owner-occupied residential property, Lorimer points out, commercial properties must be managed. Developers

build development projects; investors manage commercial buildings. Borrowers need to be skilled at what they do, and the lenders need to know what those skill levels are.

In addition, if the applicant is a corporation, most lenders are now mandated to capture Know Your Client information. This means extending your submission profiles to include a list of the company’s shareholders and background on the principals. Failing to do this will stretch out your closing dates, or worse, result in your files failing to make it past a lender’s initial review.

### Think one step ahead

Our final expert, Steven Walters of First Source Capital, stresses the importance of making sure there are no unforeseen problems at closing. Wherever possible, he says, ensure all problems are identified as early

in the process as possible so there is time to deal with them.

As a non-Tier 1 lender, Walters says one of biggest parts of his job is managing issues to help close a deal – a sentiment that was echoed by all the lenders we spoke to. While not every issue can be resolved, if brokers don’t identify a problem and allocate the time to try to work through it, that issue will remain unresolved, and your transaction will not get funded. If there are third-party experts needed, plan to have them brought in. Identify that in your initial application, and work with the interested lenders to get the work done.

Brokers are often frustrated by the time it takes to get a commercial deal through, but all of these lenders will tell you that a well crafted, well documented funding request will save you a great deal of time when looking to close your deal. Keep these essentials in mind so you can capture the information and inputs you need to meet them, and you will be well on your way to successfully closing more commercial submissions. **GMP**

Paul McGill is president of The Financing Hub, which is dedicated to delivering effective digital solutions for commercial real estate financing.



## OUR EXPERTS’ PARTING ADVICE

**Thom Henderson**  
**Community Trust Company**

“No two commercial properties are the same. Send pictures of the exterior and interior of the underlying property upfront with your initial applications.”

**Curtis Power**  
**KV Capital**

“Always include the exit strategy for the requested loan. For shorter-term loans, this becomes even more important.”

**Darren Lorimer**  
**Equitable Bank**

“Whenever your primary borrower is a corporation, provide the details on the company principal so your lender can complete its Know Your Client information.”

**Steven Walters**  
**First Source Mortgage**

“When completing a development project, additional documentation should include project costs to date, zoning certificates, an environmental site assessment and, if available, a planner’s report.”