

Speed and Information Are Reshaping the Mortgage Business

Your computer mouse has big power for closing deals

By Paul Cleary



Illustration by Dennis Wunsch

Information is more accessible today than ever before, and it is being delivered with increasing swiftness. Data that used to be available only after time-consuming and costly research is available now in minutes, and for only a few dollars.

These dynamics have major implications for borrowers and lenders in the small-balance commercial lending industry, where speed and access to decisionmaking data are critical to industry economics. Big data and analytic companies are popping up with regularity, and more and more originators are hearing their sales pitches. This is just the beginning.

There's an evolutionary process required to gather and effectively use large amounts of data. The obvious first step is to gather the

information to create a pool of data to draw from. Then, the data must be made available. Next, analytics need to be applied, all while attempting to insure that the information is accessible at a reasonable cost. Currently, the commercial mortgage industry is in the middle of the first and the second steps of that process.

Beyond social media

The global economy's hyperactive drive to pitch products and services to the consumer has pushed marketing to unprecedented levels of data capture and availability. Data sources can identify just about any potential customer, understand their buying behaviors and connect with them. That is in addition

to what's possible on more passive social media marketing platforms such as LinkedIn, Twitter and Facebook.

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In commercial real estate and lending, data is already available that provides fairly specific and actionable information about prospective customers, all at the mortgage originator's fingertips. If you would like to identify the name and contact information of a potential client who may, or definitely will, need your services in the next 90 to 180 days, you can do so in minutes and be on your way to making contact with them. There is an impressive amount of intelligence available and, compared to more technologically savvy industries, the commercial lending business is only starting to use it.

Beyond the glitz of the marketing world, there is plenty of more commonplace information available to commercial mortgage brokers and their clients. From your office desk, you can gather market rent, cap rates, sales values and property-expense information that will allow you to quickly and accurately size and evaluate a commercial deal. To an unprecedented degree, the information also will allow you to communicate intelligently with lenders, sellers and others whose decisions will have an impact on your client.

Data creates experts

Specifically, commercial real estate appraisal information is available in minutes via the internet or proprietary commercial real estate information systems. You can analyze a location with the help of the U.S. Census Bureau website, Wikipedia or various proprietary applications. Property ownership records are plentiful and relatively inexpensive. You can even get access to the underlying documents in seconds, which will help you understand how sellers and appraisers reached their conclusions.

Other information, such as zoning restrictions, flood history and tax requirements, is easily obtainable in many areas through local government agencies. A somewhat obscure

example of the use of the information is the free availability of flood maps. Does a prospective lender want to know whether a structure is in a flood zone? Are you wondering whether flood insurance is available for a structure and the land it occupies? Accurate answers to those questions are available quickly.

Data for appraising a property based on its sales or income potential has become more available and robust in the last several years, usually through proprietary software systems. A growing number of software developers provide data on income and expenses organized by property type and submarket. This used to be exclusively the purview of large-volume lenders with access to mountains of prior appraisal data but, increasingly, it is widely available at a reasonable price.

Appraisers spend significant amounts of time focusing on the key aspects that determine the value of property. Nothing beats a local expert walking the property and applying first-hand knowledge of a market and location.

The art and expert opinion of appraisers are as valuable as ever. The appraiser operates as a de facto referee who sets the parameters of the discussion between borrowers and lenders. The good news is that brokers don't need an appraiser's depth of knowledge to evaluate and negotiate a deal, although the more detailed information is invaluable when discussing a property's economics with other stakeholders.

Progress in pictures

The most prominent example of easy access to valuable free information is the availability of property images and maps through Google and other similar services. Not that long ago, it took days, or even weeks, to obtain pictures of a property, and the images you ended up with left you wanting more.

The commercial mortgage business has come a long way from the time when borrowers and lenders had to wait for the appraisal

or property inspection and anxiously anticipate what they were not seeing in the sellers' photos. But what looks miraculous today will probably one day seem antiquated, as companies apply drone technology to the photography process and find ways to remotely gather images of a building's interior.

Finally, there is seemingly endless information available about your clients, the potential borrowers, as well as the investors that your client might be considering taking on as partners. Information from data providers such as LexisNexis as well as credit-reporting agencies is used often, as is tax-return data verification. A simple Google search also can provide essential information that can help anyone assess the merits and the weaknesses of a potential borrower.

Court information can be found easily for free, or at a nominal cost through many government websites. The federal government's Pacer website provides access to federal bankruptcy and court records. Strides also are being made in quickly delivering bank-account information using technology that could do away with scanned or faxed bank statements, which are sometimes illegible and always subject to manipulation.



Then, there is always the telephone. It is an amazing piece of technology that allows you to actually speak to people to obtain information and insight. Social media engagement, while more modern, often still requires a phone. ■