



# How to be a Successful Hard Money Borrower

## Borrowers Sometimes Are Their Own Worst Enemy

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*\*This article is written for borrowers; however, it is also useful for lenders and brokers and will help them in managing their relationships with borrowers, which will ensure more successful funding.*

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A very good friend of mine always says, “No one goes to school to learn how to be a borrower.” No school teaches borrowers how to manage their funding, select a lender or set expectations. As a result, borrowers are sometimes their own worst enemy. Once a borrower is prepared to obtain a Hard Money loan, he/she must be realistic about the outcome. Look upon Hard Money as a good thing. Make sure that your financing provides you with multiple benefits; the benefits should far outweigh the costs. After all, the Hard Money industry creates millionaires.

In that vein, there are 26 tips for borrowers on how to become another Hard Money success story. To get your deal funded, you should:

1. **Be up-front.** Don't hide things. Eventually, issues surface and end up just wasting time and will most likely keep your deal from being funded.
2. **Manage your funding.** Set up a project outline and make sure steps, milestones, accountabilities and timelines are followed.
3. **Follow up. Follow up. Follow up.** Many deals get lost in the funding process unless you follow up. Balance your follow-up so that you are not viewed as being too aggressive. There is a line between being helpful and being obnoxious.
4. **Do not be pushy.** Bugging everyone does not get anything completed any faster. Balance the need for speed with common sense. Borrowers must learn how to “step on a lender's shoes

without messing up their shine.”

5. **Keep focused on the end result.** Think of Hard Money as a means to an end. Focus on successful funding, and push personality issues, pride, etc., aside. Remember, this is business, so do not take things personally.
6. **Make claims that are verifiable.** Realize that investors still perform due diligence and will verify your claims. Borrowers might get one “Mulligan” but rarely two.
7. **Do not change wants and needs in the middle or at the end of the loan process.** Investors dislike uncertainty and change; it is a red flag. Make sure you are crystal clear on what you need and when you need it. Be sure to “couch” these wants and needs appropriately.
8. **Commit to and follow through on what you say.** Do not assume you know more than the investor. If you say you are going to do something, make sure you do it. Keep lists current, and follow through with the lender. Building trust with the lender is critical to successful funding.
9. **Be patient, and sell your deal.** Know that investors want to stick to the facts. Sell your deal honestly, and avoid being overtly emotional. Be respectful of a lender's time, and always be direct. Remember, half of a lender's job is to get the facts from borrowers, and the other half is getting a loan financed. You've

chosen your lender for a reason. He/she is the professional, so let the lender do the work and get you funded.

10. **Don't shop your deal too much.** Eventually, numerous lenders will see it and think something is wrong with it. Shopping cheapens deals and hurts the borrower's reputation. Additionally, sending deals out to databases of lenders can shed doubt on the deal and make lenders wonder about the quality of the deal.
11. **Prepare yourself for ups and downs.** Give yourself enough time (typically 30 days). There will be many ups and downs during (and sometimes after) the funding process. It is difficult, but resist the temptation to become outwardly frustrated. Stay upbeat, and keep complaints to a minimum.
12. **Look locally to get your deal funded.** Pick a team in your market to help fund your loan. For example, do not select a Vermont broker to get a deal funded in California. Lenders consider the source of the deal and wonder why they got it or why it was not able to get funding closer to home. This is a major red flag. The vast majority of viable deals are funded close to home, unless there are unusual circumstances (i.e., large loan size, special use real estate, etc.).
13. **Select an experienced Hard Money team to help you.** Pick lenders and brokers that specialize, have

experience and a solid track record. Research the teams you are considering, and make sure they are reputable (i.e., check licenses, ask for and check references, etc.).

14. **Set realistic timelines and expectations.** Everything does not have to be completed yesterday. Otherwise, you will start out on the wrong foot with a lender who will, from the very beginning, take all the information you provide with a grain of salt.

15. **Perform an “options analysis.”** Brainstorm all the various options that you have available. Think about seller carry backs, additional collateral, funding schedules, etc. Pick the ones that make the most sense and advance them. Be sure not to cross off too many options. You may need to use them in the future, if plans change.

16. **Be Realistic.** One hundred percent financing closing in less than five days is rarely possible in the current market. Keep your expectations realistic, and continue to educate yourself.

17. **Do not box yourself in.** If you say you need a loan financed within a week or ask for an 8 percent loan with origination fees of one point, chances are a lender will not be interested in funding your loan. Borrowers end up cutting off a lot of sources and box themselves into a limited number of lenders. These types of demands will make your funding request very easy to decline.

18. **Do not cry wolf.** Be careful not to make everything a fire drill. If you cry wolf too often, nothing will get the lender's attention. He/she will follow the plans to close and will no longer be rushed or react to any “fire drill,” whether it is real or not.

19. **Compare the loan to a “no loan” scenario.** The profit from your deal should far outweigh the cost of funding. If the numbers work, do not lose the deal because the loan cost was a little higher than you wanted to pay.

20. **Set expectations correctly.** If you expect something on Monday, tell your lenders you will have it on Wednesday. This is especially true with appraisals. If the appraiser says that he/she will give you the appraisal on Monday, tell your lender Friday and deliver it on Wednesday. Set reasonable timelines and expectations that you can actually deliver.

21. **Do not make lenders ask twice.** Make sure you understand what a lender wants, and get it to him/her before the lender asks for it a second time.

22. **Be detail-oriented.** If you make a statement about your project, make sure you include the support in your documentation. Keep a detailed list of open items, and diligently complete these items. Keep everyone abreast of your progress weekly, if not sooner.

23. **Speak with one voice.** Have one person as the main interface with the lender or broker that also manages your team. Too many times, the left hand does not know what the right hand is doing. This creates a tremendous amount of confusion for a lender or broker.

24. **Package and pitch your deal properly.** Make sure you understand your deal from a lender's perspective. Due to the volume of deals that lenders see, you will have limited time to make a proposal. Develop a very brief but thorough summary that covers all the salient facts. Do not make lenders search for the information they need. Your goal

is to make it easy for lenders to say, “Yes.”

25. **Keep your broker happy.** Most lenders rely on an active broker referral network for their deal flow. Borrowers should live up to agreements with their brokers and resist the temptation to renegotiate fees at the closing table or cut out brokers completely from the deal. This strategy may work once, but more often than not, the lender will side with the broker or not fund your deal in order to maintain a good relationship with his/her broker network.

26. **Realize that in Hard Money lending there are rules and no rules at the same time.** Generally speaking, lenders work within certain parameters, but since they make the final funding decision, they can make their own rules. Be flexible, and work with your lender through any new scenarios.

An overriding key to being a good borrower is to have a good relationship with your lender and make it easy for him/her to say, “Yes.” Be open and honest. Cultivate your relationship with your trusted funding partner. If you have a good project, a good lender and a good team to manage the funding process, you will become another Hard Money success story. Good Luck!

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