

# Sealing the Deal, Part 2

Part 2 of 2: Follow these straightforward steps to improve your client-retention and closing ratios

By **John Lloyd**, president, Cornerstone Commercial Mortgage

**I**N A PREVIOUS *SCOTSMAN GUIDE* article, I introduced the first two steps in a process that I believe can help brokers improve client-retention and closing ratios. This four-tool process, which I call the A.P.E.X. model, suggests that you:

- **Assess your clients:** All clients are not created equal. Determine with whom you're dealing so you can use the most effective strategy.
- **Position your services:** Help borrowers think of you as their representative, not as a vendor. Incite them to commit to working with you.
- **Establish the relationship and enhance value:** In the initial stages, you must relate to the people first and to the deal second. It also is critical that you add or enhance value beyond simply finding financing.
- **Execute a fee agreement:** In most relationships, obtaining this agreement is crucial. Success depends on timing.

Having previously detailed the first two steps, let's look at the final two.

## Establish a relationship and enhance value

After assessing your clients and positioning your services, you can start building a relationship with clients. You also can enhance value with special service and attention.

You must communicate to your clients that you are experienced and that you can make their borrowing experience as painless as possible. After all, you wouldn't ask a recreational hiker to be your guide to scale the summit of Mount Everest. You'd want a guide who has successfully reached the summit before.

By initially trusting your clients unconditionally, you improve your odds of establishing

strong, potentially long-term relationships that could help you close more deals. Don't let a few lost deals by dishonest clients discourage you from giving new clients that first impression of trust. If you're defensive at the start of a relationship because you've been burned in the past, and if you insist on a fee agreement before you begin, you may breed equal distrust from your clients.

You can build trust by asking clients a lot of questions, such as: How did they get involved in

For example, I had a client who was developing his first condominium project. In addition to a construction loan, he needed to raise equity and to arrange debt to get the project started. To raise the equity, I showed him the project's feasibility and profit potential, in addition to compiling a complete loan package. I received the equity and arranged the debt for a successful transaction — all with just a little added value to make me stand out among my competitors.

“Putting clients’ interests first generates a connection that will be the cornerstone for building the relationship. Help them succeed by adding services that make you indispensable.”

developing real estate? Where did they learn the business? What hobbies do they enjoy? Clients love to talk about what they do and usually are passionate about sharing with someone who cares. Putting clients' interests first generates a connection that will be the cornerstone for building the relationship.

Help them succeed by adding services that make you indispensable. Your Web site is a great place to add value. Make lots of information available to your clients, including forms, marketing analyses, property information and any related business information that would be of interest. Other ways to add value to your clients' transaction include: providing a loan quote for the transaction; analyzing the property value; generating a feasibility analysis and a pro forma; providing referrals for the clients' other needs (i.e., construction costs, entitlement, engineering issues, etc.); or providing sale comparables for property-value comparison.

## Execute a fee agreement

In an ideal world, you would have such loyal clients that you wouldn't need a contract to collect a fee. In reality, you need a fee agreement to protect your brokerage relationship and to ensure you get paid. In addition, this agreement gives the lender confidence in your relationship with the borrower, which can often expedite the approval process. There are few times when you have such a strong relationship with a client that you don't necessarily need a fee agreement.

The written fee agreement really is a psychological tool to enforce a client's verbal commitment to pay a fee. However, the timing in executing a fee agreement is important. You must first evaluate the strength of the relationship you've established and interpret your client's perception of you. This takes practice and experience. But it will allow you to establish the opportune time to request an executed fee agreement without risking the transaction.

When you've gained credibility, respect and confidence from your client, you can execute the fee agreement. But you still must be sensitive to the timing. It is best to not request the agreement in the first meeting, and you don't want to appear as though you are manipulating clients

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## Sealing the Deal

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by withholding information if they don't agree to comply with your agreement.

Some of the best times to make the request can be: when you have provided a loan quote that the clients will accept; when you plan to disclose the lender to the clients; when you believe you are being shopped; when you are arranging financing for a specialized, time-consuming project; or when you have a small deal in which your effort may outweigh the compensation.

Emphasize to your clients that the fee agreement is mainly a formality. The agreement details the cost of the broker relationship to the client and protects the client from any future changes in the fee arrangement. An executed fee agreement can assure clients that the deal is a priority for the broker and the lender.

If they object, remind clients that the lender might take the loan more seriously if you have a contract and that it can speed up the approval process. Of course, it is important to be flexible. Tell them you understand that modifications sometimes are necessary. Make it known that you are flexible to negotiate certain items in the agreement as long as they are reasonable. More often than not, clients will decide to sign the agreement.

Remember, sealing the deal is the ultimate objective. By applying the A.P.E.X. model to your work, you can not only improve your closing ratio and reputation, but you also can make your job more satisfying and profitable. **!**

