

The Sad Truth About Brokers & Financiers



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Have you worked with a broker when seeking funding for your project? Did you get your project funded? The sad truth is — most likely not. In fact, you most likely were defrauded out of some cash by this broker. Those of you, that have had this happen, were not told in the beginning of the process that you would be required to pay upfront cost. You were not told of the upfront cost till you were so far and so long into the process that you simply could not turn back. So, grudgingly, you paid and then.....you never heard from them again or the broker said your project could not be funded because the lender turned it down, or you were told the lender went out of business and they were the only ones in the industry that did your kind of transaction.

The sad truth of the matter is that in every case in which a client has come to me seeking financing for their project the client has shared their story of being defrauded by a broker! It is at this point I share with the client how we too have been defrauded by clients & even lenders. It is from this discourse that Concord Capital has separated itself from other brokers and consultants in the industry. How have we accomplished this? In four ways:

1. It is with full and complete disclosure to you, our valued client, of the cost involved in the transaction at the first meeting. Just yesterday I had an initial discussion with a potential client. He, of course, told me of his troubles in dealing with brokers, and I also shared our story with him. At the end of the discussion he thanked me for my open sincere approach to the process. He said it was refreshing to know that not all broker/consultants are frauds. I laid out three options for him with complete disclosure. He walked away knowing what he had to do to hire Concord as his consultant. He knows the cost involved and he knew we could be trusted because I was the first one to speak openly and honestly about our industry and the cost of doing business at the beginning of our relationship. Why should our industry be different from other industries when it comes to cost disclosure? It shouldn't.
2. Education and training on a weekly basis of consultants. Concord's consultants are taught with continuing education on a weekly basis all possible commercial financing products. Because we work with Investment Banks – our consultants know Investment Banking in and out. Because the world is changing, we have to keep up with economic and policy changes, news and developments worldwide. Case study and experience sharing – is a cornerstone in our weekly training sessions. Ask your broker if they have anything like this!
3. Education and consultation of you our valued client. You know your project inside & out. We know what it takes to get it funded. It is here where we excel as a trusted consultant. Did you know that not all projects can get funding? It is our job as your trusted consultant to tell you and show you the hard facts if necessary of your transaction. It is at this point you need us more than ever. You know how you want your project to be funded, but what if it cannot be funded in the manner you expect? What if we show you a better way? A less expensive way to be funded. Or perhaps a more expensive way that offers a 100% LTV with no recourse. The point is we are consultant's not just brokers we are experts in our field.
4. We have a personal relationship with our financiers, not merely superficial. We are in constant communication with our worldwide financiers on a daily basis. Because of this trusted relationship our bankers have entrusted us with their template for what they want to see, and what they do not want to see in a business plan. So we are able to consult with you on the preparation of your business plan for your project. And lastly this allows us to assist you in preparing for the due diligence process that the bank will conduct on your business plan & project.

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Why is fraud so prevalent and how has it evolved to this? As I see it, our industry has had a huge influx of residential mortgage brokers. Remember the refi boom in the USA? Many people without proper training and understanding of the economy behind the movement of the money joined the residential mortgage industry as loan officers. When the residential mortgage industry collapsed these (*most*) well meaning people, came to our commercial financing industry thinking that it would be the same as from where they came: clear defined guidelines, credit scores, lots of lenders to choose from, lenders willing to do work for the loan officers, one type of collateral, etc, etc... . They were very wrong. They quickly found they were uneducated and did not have the capabilities to compete. Instead of obtaining knowledge of the industry, many simply began holding on to clients by promising what they simply could not deliver, all the while seeking a way to deliver on their promise. They had to pay their bills so they began their practice of up front charges and made promises to get the client to pay. Another reason we have such a large amount of fraud in the commercial financing brokering business is simply those individuals that prey on the gullible. The sad truth is that most of the brokers in our industry cannot be trusted. In fact, there are lenders out there that cannot be trusted. Even Concord has been lied to by some of these unscrupulous lenders. So what do you do as one seeking financing for your project? Here are a few suggestions for your consideration:

1. Ask about their fees in the first discussion. If the broker hesitates or will not give a straight answer, he has something to hide. Walk away.
2. Ask for references. Granted in some cases a broker cannot give direct references because of a client's privacy, but his lender can in most cases. If all you get are tomb stones from a lender, then they most likely are frauds. If you cannot get a reference of any kind walk away. Also, remember times are very hard in our industry. Just because a broker/consultant has not funded a project in a long time does not mean they cannot deliver for you.
3. Ask them questions about the industry, their background and training. If they fully disclose to you not just their strengths, but also what might be perceived as weakness then you have found an honest consultant that most likely will put you first.
4. Always ask how many brokers there are involved in the transaction. If you have to go through multiple levels of brokers to get to the financier, walk away. These transactions rarely fund. It in these "broker trains" or "daisy chains" as we call them that greed takes over. Inevitably in this situation there is at least one if not more greedy brokers that will prevent the client from getting to the financing source because they are not getting their big piece of the money. Walk away.
5. Make sure that the principals (*project owner and banker*) in the transaction are speaking to each other directly early in the transaction. If this does not happen walk away as the broker really doesn't have a financier at all. He is looking for them! Walk away.

Concord Capital has real financiers that have funded billions of dollars for projects worldwide. We have experienced and well-trained consultants for commercial lending worldwide (*Literally – from Australia to Chile and from central Asia to USA*) waiting to earn your trust and your business today. Let us show you how simple it is to secure financing for your project.

For details contact me today. hsmith@concordcapitalonline.com

Hal C. Smith — Financing the world since 1989

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