

Be Borrowers' 'Band-Aid'

Know what alternative products can help clients in their times of need

By **Howard Chernin**, senior vice president, Quantum Corporate Funding Ltd.

IT'S NOT EASY BEING A MORTGAGE broker today. We are seeing a weakening economy, increasing energy prices and continued competition from capital-providers. In addition, there is a growing concern that the housing and condominium markets may be faltering. Many national homebuilders are forecasting lower earnings and a decrease in building permits, which many consider leading indicators of a slowdown.

Another significant factor shaping the traditional mortgage market is the overhaul of the bankruptcy system. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 took effect this past October and included several provisions that impact corporations and small businesses.

With these changes comes the reality that brokers must be creative in finding ways to help clients. Whether that means providing a hard-money loan, a conventional loan or some other type of collateralized financing, they need to help get their clients the money they require to keep their businesses running.

To tap into a less-common niche among the nontraditional-loan market, brokers should consider offering financing products for people facing life's unfortunate situations. Brokers can come to the rescue financially. They also can increase business by helping people get financing during foreclosures, bankruptcies, divorces, partnership disputes and litigation.

Foreclosures, for example, give brokers an opportunity to help clients refinance with a hard-money lender. Companies going through Chapter 11 bankruptcy can often receive court approval to seek certain types of financing.

For example, they may seek financing for the company's accounts receivables. This can

present an opportunity for brokers to provide factoring services. Factoring is advancing cash to a business by buying one or more of the company's invoices and advancing a percentage of the amount upfront.

In the case of bankruptcy, the company that controls the real estate frequently isn't the company going bankrupt. Therefore, refinancing the property can create additional capital for the debtor. In addition, with court approval, companies going through Chapter 11 bankruptcy proceedings can arrange for debtor-in-possession financing.

Divorces create other options for brokers. Equitable-distribution rights may entitle the ex-spouse to half the property. In this situation, refinancing may be required to pay off the ex-spouse. Similarly, when partnership disputes occur, one of the partners usually must be bought out. This also presents a need for financing.

When a company is involved in litigation, it also will require the means to finance the litigation or pay off judgments. Again, that company will be looking for ways to increase its capital via the refinance route. Second mortgages are often necessary to capture additional funds on real estate.

What's needed from the broker? The ability to be a good consultant.

Depending upon what your clients' needs are, you may have to find an asset-based lender, an accounts-receivable factor or a debtor-in-possession lender.

As deals become more complicated, brokers who are skilled in consensus-building and deal-making will be in high demand, especially in cases such as those outlined above.

In a way, a mortgage broker serves the same

role as a doctor. The broker might need to provide something as simple as a Band-Aid or be required to perform surgery, depending on how challenging the circumstance. **■**



Howard Chernin is senior vice president of Quantum Corporate Funding Ltd., a nationwide asset-based lender and factor located in New York City. He is a member of the National Association of Mortgage Brokers, the Commercial Finance Association, the Construction Financial Management Association and the International Factoring Association. He resides with his family in New Jersey. For more information, call (800) 352-2535, e-mail hchernin@quantumfunding.com or visit www.quantumfunding.com.