The question I get asked the most is: Which comes first, finding the property or finding the funding?

Instead of thinking of it as which comes first, try thinking of it as two roads that converge. You need to begin steps early in the process to both find a property and have the ability to close on it.

We will focus on how to fund the property once you find it. I am often asked by people new to the business to be approved for a project only to find out once we start talking that they have no project, only a hope of finding one. In this case the more accurate question would be: What is needed to qualify for funding?

The answer again is twofold...

Let’s break down the two components: the borrower and the project.

The borrower can and should be reviewed for his or her ability to get a loan before committing to a project. While this will not guarantee you a funded deal it will go a long way towards accomplishing that goal.
You should be able to answer certain key questions like the ones below and adjust for shortcomings. For example, if you have limited experience in rehabbing, do you have a mentor or partner with extensive experience to overcome this?

Here is a general list of things a lender looks for in a borrower:

1) What is your strategy? Your exit plan?

2) What is your financial situation? Can you pull off what you hope to accomplish?

3) What are your experience, your education, your network or team to help you accomplish your goal?

4) What is your personal situation? Credit, integrity, time planning for management, the right mindset, and expectations of the job.

The project needs to be under contract for a solid review. The criteria are pretty straightforward. Every lender will spell out the terms, the loan to value, the cash you will need you invest, other expectations, the geographical area etc.

Don’t go into a deal without a contingency unless you know to pull out. Wholesale agreements typically don’t have a contingency for your assignment. Once you sign it, you have committed to the sale.

If you aren’t sure the property you are buying will qualify for funding, you either don’t have enough education to make the decision on your own (so get educated) or don’t know enough about the property yet. Get the information needed and do your due diligence upfront.

**What are the steps to start a typical loan?**

**Step one:** Network with potential lenders, find out the criteria for their loan programs, and get a pre-approval letter (also known as “proof of funds” or “letter of credit”) as a borrower.
**Step two:** Propose a project to the lender that meets the loan criteria. This step should include the property information, contract of sale, scope of work, etc. Do your homework.

**Step three:** Receive a term sheet from the lender, agree to the general terms of the loan, and start the loan process.

I hope this brief introduction helps you with understanding the relationship between finding a property and funding one. It isn’t chicken or egg... finding or funding... it’s *both*.

**About Gary Kenner**

Gary has spent his entire career in real estate, including a business degree in real estate development and a 30-year corporate career managing over $1 billion in assets. He has completed more than 500 deals, mostly commercial, and since 2008 has focused on his own investments, with a diverse portfolio in four states.

Gary continues to complete 60 to 100 deals a year. He is a hard money lender, commercial loan broker, and licensed realtor. Today he is primarily a syndicator of large deals for Mobile Home Communities and Assisted Living Facilities. His mission is to provide affordable housing and financial services.

Gary is a moderator of Baltimore REIA’s monthly Strategies Harford Meeting.

He’s also an instructor of the “All About Funding” class coming up on October 8. Sign up by September 29 and you'll save $100. **Click here for the details and savings.**

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