

THE SEVEN HABITS OF HIGHLY EFFECTIVE LOAN CLOSING PROFESSIONALS

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Excellence in commercial loan closings should be a matter of habit.

Steven R. Covey first published in 1989, his national best seller, *The Seven Habits of Highly Effective People*, and followed with a number of other similarly themed resources for business professionals as well as families, "empowering" them with lessons for success.

The words and principals enunciated by Covey belong in the everyday vocabulary and thought process of loan closing professionals whether they be lawyers, in-house loan closers, mortgage banking company loan processors, or anyone else involved in the closing process.

The seven principals in Covey's own words and pared to the minimum, are as follows:

1. Be proactive.
2. Begin with the end in mind.
3. Put first things first.
4. Think win/win.
5. Seek first to understand then to be understood.
6. Synergize
7. Sharpen the saw.

Each principal is interdependent. For instance, understanding another before being understood as discussed below, requires being proactive. What follows is a fresh look at Covey's paradigm for success scaled to the needs of loan closing professionals:

1. **Be Proactive.**

Effective loan closing requires being solution-oriented with respect to different people and personalities, deal-making/deal-changing issues, and logistics. Effective loan closing professionals whether they are legal counsel, loan closers, or others need to scope the lay of the land (after all, this is real estate related) and take fresh approaches and alternatives for each closing. Anticipating the needs of a borrower or borrower's counsel is important, as is determining in advance appropriate solutions to deal-oriented issues that may arise, or even fundamental logistics of closing (including the difficulty of closing during some holiday time periods particularly towards the end of December). Just a few examples of being proactive include the following:

- Call the surveyor as early in the game as possible to determine if she/he has the correct survey requirements, preliminary title report, and to see if he is aware of any special problems (e.g. encroachments).
- Weeks before closing send draft closing escrow instructions to the Title Company in order to obtain a proforma.
- Immediately determine if the borrower has already formed a single purpose entity, and if not, provide sample inserts.

2. **Begin With the End In Mind.**

Too many loan closing professionals think that simply closing a loan itself is the "end game". The real goal is to enhance the reputation and profitability of the lending program on whose behalf loan closing professionals are working. Each person involved in the closing process whether borrower, escrow officer, title officer, and even borrower's counsel should be viewed as a potential repeat customer. Each and every communication and solution, although grounded in principal of prudent lending, should be designed towards partnering with these individuals for future success. Without a commitment to the end game in each individual loan transaction, the greater goal of a successful loan program is at risk. Simple reminders for the end game include:

- Make true commitments to the borrower or members of the borrower's team on what you will attempt to accomplish for them during specific time periods.
- Deliver on what you say.
- Always be cognizant that most, if not all, of what the borrower and its team members will remember about the loan, will be the manner and style of performance of the lender's closing team.

3. **First Things First.**

Covey suggests the importance of seeing "through the lens of importance rather than urgency." This requires not only examination of the loan file, but self-examination as well. A loan closing professional must recognize three common denominators it shares with every borrower, albeit from different perspectives: (i) stress, (ii) another day, another fire, and (iii) too much to do, too little time. Stopping first to organize and (then) execute is of paramount importance. Putting first things first in a loan closing context, means not only organizing the file and tasks to be completed, but organizing people, setting timelines, and making sure that expectations are understood by all. It is important to make certain that everyone understands the importance of a loan not closing without all items being satisfied. Loan closing professionals also need to be cognizant of the following:

- Everyone expects the loan closing professional to be a time record setting gold medallist in the loan closing Olympiads, but prudent lending is checklist-oriented and all participants in the loan closing need to be

trained to keep a focus on completing the boxes, before screams about the time it will take to cross the finish line.

- No one expects the loan closing professional to be a psychologist, but some psychological techniques are important to the loan closing professional's mental well being, as well as that of the borrower. For starters, remember that humor is the best stress reduction method known.
- Maintain a focus on results and relationships and achieve them by being proactive with vision, perspective, balance, discipline, control, and few crises.

4. Think Win/Win.

"Win/Win" is too often simply a worn down cliché. However, loan closing professionals must be wedded to win/win strategies in every step of the closing process. Win/win means in all instances focusing on the issue and not on the person and in all instances maintaining the confidence of others while seeking a constructive solution. The following should be inherent to win/win loan closing strategies:

- On seemingly insurmountable issues whether title problems or loan documentation, agree with the borrower or the borrower's counsel to discuss and dissect every element of the problem or concern until there is a core solution agreeable to all or as Covey states, set forth common recognition that without the solution there is simply no deal.
- Identify not only the common goal of getting the loan closed with particular criteria being satisfied, but acknowledge the boundaries of compromise and live by them.
- An attitude that, He who holds the gold makes the rules, is a win/lose proposition for the short term in getting the loan closed, and oftentimes lose/lose for the long term reputation of the lender.

5. Seek First To Understand Then To Be Understood.

Few borrowers have the level of lending sophistication of loan closing professionals, and few mortgage bankers or other members of the borrower's closing team, close in any given month, as many loans as a loan closing professional. Good listening habits are critical. Covey stresses "empathetic listening" or "listening with intent to understand." He also emphasizes that you "diagnose before you prescribe." There are, of course, some concerns or issues raised by borrowers for which there may never be a satisfactory answer, but empathizing with the borrower before setting forth requirements, is effective. Many problems and disagreements can be avoided simply by good listening. Example of applying these principals to loan closings includes the following:

- Always first determine the basis for any position taken by the borrower or party who is communicating on the borrower's behalf.

- Until the borrower or borrower team member trusts the loan closing professional, the loan closing professional's position will not be understood, and trust will only be established by good listening.
- Oftentimes the borrower needs to close the loan to timely close a sale or tax-deferred transaction, and until the loan closing professional understands all the problems facing the borrower, it may not be possible to know how to proffer the best solution under the totality of circumstances.

6. Synergize.

The concept is simple, and all of us know it: the sum is greater than the parts (e.g. $1+1=3$). But the loan closing professional must make it part of his/her daily workings with all those involved in the closing process. Borrowers are by nature successful in business and real estate. In most cases, borrowers are successful because they have a high level of intelligence, creativity and entrepreneurship. While the loan closing professional works off a closing checklist, the borrower generally thinks outside the box. There is enormous potential for a synergistic relationship whenever individuals with different foundations or orientations work together in a synergistic manner. The following are examples of opportunities for a synergistic relationship between the loan closing professional and a borrower:

- When an endorsement is needed and is one the title company would not normally be willing to give, a borrower frequently has "pull"; conversely, the lender's counsel might be able to obtain it if it uses the title company on a frequent basis.
- Often times, approvals are required from governmental and quasi-governmental bodies if a property is in a redevelopment district, and the borrower is usually in a superior position to expedite and obtain such approvals.
- When a borrower's lawyer has 129 requested revisions to loan documents, intervention by the borrower sometimes shortens the list even before negotiations begin.

7. Sharpen the Saw.

Although Covey talks about a personal renewal of one's physical, spiritual, mental and social/emotional being, there is a parallel to be made. There should be a rededication process to understanding that closing loans is a people business and there must be a constant devotion to the concept that those who close loans should be building "deeply satisfying, enriching, and productive relationships" between borrowers and their counsel, mortgage bankers and their associates, and those in the lender organization. Every communication should be made with a sharpened awareness of the unforeseen potential of a lending enterprise when there is a renewal of the six other habits.

Profits are not made in basis points alone, but in positive relationships with people while encountering problems hour by hour, day by day in the course of closing loans. Maintaining a focus with the principals set forth above provides a simple approach to loan closings.

Those who are cognizant that the borrower always remembers the "last act" which in lending is the closing process should be quick to recognize the importance of the seven habits. © 2001 GERSON LAW FIRM APC.