

Finding the right banking partner for your real estate investments

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The local real estate market continues to thrive, providing a rich environment for entrepreneurial real estate investors looking for new plays. But with all the recent focus in the press about different developments in the West, and specifically in Denver, the market has become very competitive.

For individuals to be successful, they must have access to financing that is not only sufficient for their projects, but also swiftly reviewed and approved. Often, the financing of a project hinges on the relationship the investor has with the bank or finance company and how well they perform together as a team.

For large investors, getting the attention of their bankers usually isn't a problem. However, other relatively smaller investors who are active in Colorado sometimes don't experience the same level of personalized service. And these real estate entrepreneurs often don't have the luxury of waiting for decisions to be made. They need immediate access to their bankers, allowing them to plan for and react to market trends.

It's with this in mind that a real estate investor ought to work with a niche player bank that can look at the investor more as a business partner than as just another loan or transaction. The right banking partnership can assist the investor in managing the real estate investment process and capitalizing on the investment opportunity.

Such a banker should meet the following requirements:

Partnership

For investors who are in the "heat of battle," it's important to be working with a banker who serves as more than just a lender or a means to an end. Rather, the banker ought to react to the needs of the investor in the same way a business partner would. By doing so, the banker may tailor loans to fit the specific needs of the investor rather than simply finding a way to "fit" the investor into one of many banking products.

The banker must take the time to understand the investor and how the investor creates wealth. Unless a banker takes the time to truly understand the plans and special circumstances, the relationship will likely fail in the long run.

Candidness

One of the most valuable outcomes of a successful banking partnership is candidness. For real estate investors to avoid potential setbacks and financial troubles, it's imperative that they work with bankers who are honest with them and will give them straightforward information about their financial positions.

Real estate investors may not always hear what they want to hear, but they will hear the truth, which will provide them with the opportunity to adjust and, ultimately, to make their projects successful.

In today's financing world, there are many options a real estate entrepreneur has when determining where to get financing. Not all banks and financing companies will finance the same projects.

Therefore, when a deal is discussed with a banker, it's important that they be honest about the potential for getting the project financed. In some cases, a borrower may wait several weeks, only to find out that the bank has no interest in or is unable to finance the project. A working relationship with a niche banker can help an investor avoid such an outcome.

Responsiveness

Perhaps the most important element of a successful banking relationship for the entrepreneurial real estate investor is responsiveness. Often design and construction decisions are subject to time constraints. Again, investors are well served to be working with flexible organizations, local teams of decision-makers and a banker who can respond quickly to requests and questions.

Such efficiency may help the investor avoid delays in financial decisions that could be very costly in the long run.

In addition, working with an organization that has local decision-making capacity allows all parties to understand complex deals more quickly. Local decision-makers are familiar with and understand the intricacies of local markets, often allowing deals to be expedited.

Furthermore, working within an established banking partnership provides the banker with insight about the investor that may be helpful in making complicated transactions successful.

Solution Provider

Bankers who are truly performing as members of investment teams should provide ideas and solutions that will help make projects successful. They ought to be aware of products and services and have relationships in place that will help real estate investors over some of the hurdles in the process. A banker who isn't contributing ideas and solutions probably isn't the best banker for the team.

For the entrepreneurial investor involved in the ultra-competitive real estate market, a strong and trusted banking relationship is critical. Unless a banker is able to meet these requirements, an investor will be at a significant disadvantage and could fail to meet important deadlines to participate in deals.

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