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Why Good Business Plans Are Essential For Securing Real Estate Loans

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DALLAS—When evaluating a loan request-underwriting, should you evaluate the borrower and the borrower's project separately? In part one of this **EXCLUSIVE** two-part Q&A, Revere Capital's Brian O'Flanagan weighs in on the topic.


Brian O'Flanagan, director at Revere Capital

Part 1 of 2

DALLAS—While the speculation, uncertainty and continued media coverage of what the Trump administration will ultimately mean regarding the economy and commercial real estate in particular for this audience, one thing is clear: good business plans are essential for securing real estate loans for the origination of debt to finance real estate investments and development projects, regardless of shifting economic conditions.

That's the gist of a Q&A with **Brian O'Flanagan**, who serves as director at **Revere Capital** with responsibility for loan underwriting and execution. Dallas-based Revere Capital is a private lender specializing in short-term (less than 18 months) and intermediate-term debt (two-to-five years) serving all categories of commercial real estate except land investments. O'Flanagan operates from the firm's Darien, CT office.

GlobeSt.com: When evaluating a loan request-underwriting, do you separate the borrower from the borrower's project, or evaluate them separately? Or is it impossible to separate the two?

Brian O'Flanagan*:* Yes, the evaluation of the real estate is typically independent of the borrower, but of course the borrower's experience and resources can have a substantial impact on the future of the project.

GlobeSt.com: The phrase "business plan" is often used to describe the borrower's intent toward its project and how the loaned funds would be deployed. What do you look for in a good business plan?

O'Flanagan: A "good" business plan from the lender's perspective is one that has a high probability of success with minimal risk. For example, say the business plan for a 70% occupied property that has suffered from deferred maintenance or mismanagement in a strong submarket is to invest capital and management time to modernize and lease the property would be viewed as likely to succeed with minimal risk. Alternatively, a business plan to zone a rural land parcel for high density development is both unlikely to succeed and too risky for a lender. That said, such zoning could create great value making it a good business plan from the borrower's perspective, but they will have a challenging time getting the project funded.