



## Finding a Lender for Your Commercial Real Estate Investments Just Got Easier

Host: Josh Cantwell

Guest: Tim Milazzo

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Josh: So, hey there and welcome back, Josh Cantwell here, CEO at [strategicrealestatecoach.com](http://strategicrealestatecoach.com) and Freeland Ventures Real Estate Private Equity. I'm really excited that you could come back and join us for another one of our Strategic Real Estate Coach podcasts in the interview series. Umm, I am particularly excited today to be with a relatively new friend, to talk about commercial finance and to talk about a lot of the new things that are happening with tech, uh, with Fintech regulations, with generating leads for commercial real estate investors.

So those of you who are followers of ours and enjoy our podcast or maybe one of our students are subscribers and your maybe flipping residential and you're looking at long term commercial as one of your strategies to build wealth or you're currently investing in apartments or commercial buildings, multifamily, et cetera. You're really going to love this interview and some of the things that you're going to hear about what's going on with advancements in technology in the commercial lending space.

Josh: I have with me the CEO of StackSource. His name is Tim Milazzo. Sorry. I knew how to (inaudible) when I was getting prepared for this.

Tim: You said it right first before...

Josh: There's so many Tim's in my life and I can't keep our last names straight. So, Tim Milazzo and he founded StackSource a couple years ago, uh, because he saw some needs to consolidate and speed up what's going on with commercial real estate finance and generate some options for real estate investors and entrepreneurs. So, Tim, welcome to the podcast. Thanks for joining us and tell us just a little bit more. Give us a high-level overview of StackSource and how you guys were founded and what kind of got this whole thing going for ya.

Tim: Josh, thanks so much for having me on. It's a blast to be on such a fun podcast. You know, we are geared towards commercial real estate investors and a lot of the commercial real estate investors we're working with may have started as residential real estate investors and maybe they're getting into their first commercial deal on purpose because that's the way that they're going or maybe they have drifted into a commercial deal because of the connection they had. And a commercial financing deal is needed for anything that is five plus units on the multifamily side or if it's mixed use, it can be a three unit residential.

But as a retail component, all of a sudden you heard a commercial mortgage territory, uh, and you know, a couple of years ago when we recognized the opportunity, um, to try to bring some simplicity to the commercial financing process, um, for those that may not have the wealth of experience and connections and maybe they do, but they're looking for additional capital sources.

There are tons of available capital sources and commercial real estate, you typically are either going to the few lenders you already know where you're hiring a traditional relationship broker and there's a lack of transparency there. There's a lack of simplicity. Um, and we, we saw the market opportunity to build a platform to make it easy to find and close on the best commercial financing available. And, and that's what we're doing with StackSource.

Josh: Fantastic. So StackSource, obviously probably named after the commercial (inaudible) stack, right? Um, so when you got started in this, you, you've partnered up with some amazing guys that really understands software, software engineering to pull in because you guys have over 200 commercial lenders on your platform. Um, so just walk us through the process and what I'll do, Tim, is I want to give you an example of a deal that we're closing next week and tell me if I had submitted this deal into StackSource, how would it work if, if, if I used you guys for financing? So, it's a \$30,000,000 apartment deal, and it's a 407 units down in Georgia and purchase price is Fifteen million and needs about a million to a million and a half value add improvements in rehab. So not a lot. Um, it's only, you know, maybe \$2,500 to \$3,000 per unit.

So relatively light lift as far as rehab. Um, a lot of people have asked me like, well how did you get this deal? Well, you know, it was, it was a young guy, lives in South Beach. He essentially inherited this paid off apartment building that's generating a million and a half of NOI. And uh, you know, he just doesn't want to make any improvements. He wants the \$15 million cash out of it, wants to go party in South Beach or whatever he wants to do, but based on the NOI, increasing the 2.1 million, which is our pro forma and a seven cap that basically leaves us at about a \$30,000,000 evaluation. So if we were going to use stacks first and we need funding for this, we need commercial funding and we found your website, give us an idea of how it would work, how would we be treated like what happens with our information, how does, you know, commercial lenders and then come back to us with offers.

Tim: Yeah, great question Josh. So, the first thing you see on StackSource is you'd see our website and outworks page, but as soon as you click the button that says get a loan.

You're now in the custom-built software that we've built for commercial financing. Now this is built by my co-founder who's a software engineer that I stole away from Google to work on this platform. Um, so he's the one who's built our tech, um, and it's a guided process for a potential borrower, you know, an investor to put in information about your project.

So, you wouldn't say it's multifamily, it's an acquisition, here's the budget, it's a \$50,000,000 acquisition, but the total budget is 17.5, and you would have basically answered questions that would be then tailor to multifamily acquisitions to tell our platform about your project. You submit that and here's, here's the part that's proprietary to StackSource versus using a traditional broker, you're instantly matched with matching commercial lenders.

Tim: Now we actually have more than 300 lenders on our platform at this point and they've given us their loan parameters. So, we know by geography down to the counties that these lenders, maybe local banks and credit unions are looking at different counties that they want to lend in, national debt funds, uh, we're based in New York City. Uh, we have connections with lots of debt funds here from New York of that are looking at different commercial lending strategies and multifamily value ads might be the strategy to finance.

Um, for one of those debt funds and they said, yes, we'll go to that location. We'll go to that location in Georgia. Here's our minimum and maximum loan size. All these parameters. We track all of our 300 lenders across 35 different dimensions of what they can finance a in commercial real estate and so when you're getting a match list of commercial lenders, these are lenders that are going to compete for your loan.

Now you're making a multimillion-dollar investment decision. Getting a match list of lenders is great, but you probably don't want to shoot it in all your confidential information and just spray and pray and hope that one of these is going to give you a great loan, which is why we also assign a StackSource capital advisor. We have three on staff so far, a growing team. They give you advice in full service advisory support. They're going to negotiate with the lenders on your behalf and they're going to be funding advisors through that process to make sure that we're getting the best structure in place because on a 17.5-million-dollar commercial property you may even be thinking about a capital stack that is more than just a senior lender.

Maybe there's a bank that has a good program for this, but you want to increase your leverage though a mezzanine facility as well. Uh, if it was a smaller commercial deal and you're just looking for great long-term financing, you're probably going to be connected to the banks, credit unions, maybe Fannie Mae Freddie Mac was great stabilized lenders. Um, but the point is we're getting you to those players that can give you the best financing depending on your loan scenario.

Josh: Got it! Yeah love it! So not only am I an operator owner and an active investor, but you know, we've had a lot of success and we've now taken a lot of my own capital and then

the capital that I managed for other people and put that into deals as well as we kind of play on both ends, both in debt and equity. So, Is StackSource primarily on the debt side? So, it's still leaving the operator to raise the final piece, the final stack of equity, the down payment, the 10, 20, 30 percent down. Um, but you mentioned maybe a first mortgage lender who might play in the reposition with personal guarantee and that's a mezzanine financing, stabilize it, let it season for 90 days and then come back in with permanent financing. I imagined StackSource has all those options. Right?

Tim: Right. Yeah. Good question. Most of what we've done so far, and we launched this platform in 2017, you know, we've been actively closing loans for over a year and a half at this point. Most of what we've been doing is senior loans and the debt, the debt part of the stack. So that's just like residential. I'm going to go get a mortgage, I'm going to get a commercial mortgage at the senior loan. Now we recently would be accurate with the hiring of a couple of our capital advisors that are more experienced in mezzanine financing and in pref equity and structuring multiple pieces of the capital stack, that's something we're starting to get into Josh as well, where we can do a more holistic capital stack.

The StackSource web platform is really great for matching you to the best senior lenders today and that's where our capital advisors come in with that extra support to say, Hey, we can get you additional capital in this deal above and beyond the loan as well. And that's something that is an expansion for StackSource in 2019.

Josh: Nice. Nice. Well we'll have to talk to him after this because we would want to definitely be on this platform with you as a senior debt financier and then, you know, with great operators and a great deal. Uh, we might want to play on the equity side too. We've funded, um, by 1,150 units of apartments this year, equity side where there was already a first mortgage senior debt was already in place and the operator was looking for some rehab capital and some down payment capital and we became really familiar with them and we were really comfortable bringing in not only some of our own money but also our, our private investors' money into that transaction and those were heavy value adds, so it actually allows us in about 18 to 30 months to be in a situation to refinance the entire building, put a new permanent loan on it and actually pull out a, not only pay off the first mortgage loan, but also pay off all the equity, giving everybody their principal back plus the interest.

And then we actually structured it to leave them in the deal on perpetuity as an (inaudible), which is really, really killer. So pref equity, long term with you know, none of our own money in it after about 18 to 30 months, which is pretty killer. Um, so how are you sourcing all of these? Uh, both borrowers, both people that are operators and then actually the lenders help me understand you guys have used technology to bring those people together.

Tim: So, first of all, Josh, I hope we source a new lender in freelance today. We should chat offline about that and get your information about all of those 35 branders and magically give you some matching deal flow over the next few months. On the lender side. I'll tell you what, I tried to pitch this as a big idea to some banks before we even got started.

We were building our technology prototype and you know, hey big idea, you can originate loans coming from this online platform and most of the big bankers in New York kind of gave me the get out of here kid treatment. This is a big relationship business and you know, you're not going to come in here, you know, focus on residential. It's much more streamlined, commercial real estate is never going to be through technology. And it was a struggle, it was a struggle at the beginning, uh, but, but we did get our first 20 lenders on the platform.

Tim: It took more than 100 pitches to do that. Um, and we had enough where we said, listen, we don't have the universe of lenders yet, but let's get this platform started. Let's launch it. Um, so we launched it in 2017 with just 20 lenders on board. Thankfully, we were able to get a couple small commercial real estate deals done. Um, you know, sub \$1,000,000 where we're brokers don't want to waste their time on a broker. If you've ever tried to ask a commercial broker for a very small commercial loan, they work on commission, which is frankly no different than what we do, but they don't feel like they want to waste their time on some of these small deals. We serviced a few small deals and once we started to get a track record for getting deals done, it became easier and easier to get the lenders on board.

And at this point, now that we've got our, you know, our first dozens of loans done, the lenders come to us. Um, they see, hey, we can get deal flow we need to be opened for deal flow coming from whoever and wherever it may be coming from and our lender databases is now growing just organically, and on every deal we work on for borrowers, a lot of them are finding us online, maybe through our blog, maybe because they've joined our email newsletter at some point, which is a few thousand subscribers now.

Um, and we also get referrals now from sales brokers that are selling properties and know, hey, we need to get somebody that can structure the financing on this. Uh, we partner with sales brokers in that way. Um, so we're constantly networking with brokers. So just like for an investor, um, you know, brokers are key if you want to get certain leads, certain leads you can get off market that you can get through direct relationships, other leads are going to come straight from brokers. If the sellers choosing to use a broker, being connected and friendly with our brokers is the way to go. And that's the same for us as it is for an administrator.

Josh: Nice. Nice. You know, I'm curious, outside of talking about StackSource and all of its features and benefits for both lenders and borrowers. I'm always really interested in talking to entrepreneurs, you know, you and your business partner, uh, you know, coming out of the tech space and looking at like, I want to start my own company.

Um, I love just understanding what other entrepreneurs have gone through to get to where they're at today and then kind of what their goals are moving forward. So, kind of outside of StackSource but more about you, Tim, personally, tell us a little bit more about your entrepreneurial journey. Give us the good, the bad, and the ugly about starting your own business. What was that like? What was that like for you and your partner? Maybe bootstrap it, make those hundred pitches. Get turned down to 80 times because pretty much everybody that listens to this as either a residence or a commercial

investor and or a leader, entrepreneur, CEO, uh, and we'd like to share that our war stories. So, tell us about yours.

Tim: And Josh, I know you know a lot of this stuff because you've started multiple companies and you've, I'm sure, seen it all. For me and for my journey, I was coming out of big tech companies where frankly, it's pretty comfortable. Um, you've got a nice salary, you've got nice benefits, three meals a day, often covered by the cafeteria at the big tech companies. Leaving that and becoming an entrepreneur is not for the faint of heart, you know, it's definitely a battle to get something, even if something should exist and will exist, uh, making something new exist and getting somebody onto, you know, getting people's minds around a new concept, especially in, you know, a new company is, is not for the faint at heart. Uh, my co-founder, Nathan and myself, we both came from big tech companies.

We saw this as an opportunity to something that we thought would happen. Something that we thought we could build, and you know, in addition to getting shut down by a bunch of lenders that we wanted to be on the platform. Many of them are on our platform now. Um, you know, we needed investors. I mean, we, we're not independently wealthy. We had good salaries and we had some savings and enough to go off of. We had to raise investment for building software as well. And so, we've been turned down by more than a hundred investors to, um, you know, just in getting StackSource up and off the ground. Um, so it's a lot of pitching. Uh, I would always say to somebody that's considering being an entrepreneur, the ability to connect with people and sell the vision like is so necessary. You have to believe in that vision yourself.

You have to be able to sell it and you have to be able to connect with other people that when you have the low days and you know that you're fighting as part of a team or you can rely on those people. You've got the right skill sets in place. Uh, we've learned a ton. I think we've learned more in our two or three years as entrepreneurs than ever before in any position or school or, um, but, uh, you gotta accept rejection. You've got to keep grinding. Believe in your vision. Nobody else is going to believe in it for you. Um, and if you're with the right people and working on the right thing, it's going to give you a lot of fuel to get through 100 no's, 200 no's.

Josh: Right. Right. I teach this, it takes me about an hour to deliver it. It's a, it's a session I teach on the nine characteristics and traits of elite entrepreneurs and high performers. And you mentioned a couple for sure. And one of them, as you mentioned, was kind of knowing your opportunity and being able to convey your opportunity to an investor in about 90 seconds or less. You know, everyone's busy, especially people with money that are looking at making easy investment or private equity investment or investing in entrepreneurs, you know, they hear pitches all the time and uh, and you've got to be able to convey that quickly and you've got to know your numbers, which is one of the other nine. And you've got to, if you don't know your numbers, you've got to have somebody on your team that does, you know. And so, in your case, you know, how many new inquiries or applications are you getting per day? What's your cost per application? What's your average inquiry size? You know, all these different things.

Josh: And for you, on the tech side, your software can really tell you all that it can spit out all the data and give it to you. Um, but it's interesting to hear, you know, whether it's a real estate entrepreneur or a tech entrepreneur who's playing in the real estate space or somebody that sells physical products on Amazon, you know, a lot of them will say, you've got to know your numbers. You've got to know your pitch and you've got to have super thick skin, right? Because you're going to get turned down over and over and over. And a no today like you heard from your investors two years ago is not a no forever. Right? Talk about that for a minute. Just about how you got to have sort of a long-term vision for what you're doing and passion for what you're doing because you're going to get kicked in the teeth a lot as an entrepreneur

Tim: Yah absolutely. From partners, from lenders, I mean, listen, it's something can be so clear in your head and someone else may even resonate with that too. Um, but they also want to know that you're someone they can trust, you know, for lending partners, you know, some of these lenders, we're not saying, hey, this could never happen, but you know, hey, show me your track record of loans you've done, you know, and things that you've completed.

We certainly heard that from real estate investors that are considering using StackSource. How many loans have you done successfully? And you may need to pitch a lot of people, um, to get that first deal, you may need to, if you're investing in real estate, you may need to underwrite a lot of deals and put a lot of LOI's before you're able to make that first acquisition. So, you have to grind through the beginning, uh, you have to be willing to persist and that trait, you know, it's going to be helpful forever, but it's absolutely necessary for the beginning and for starting off and you have to be able to get through it.

Josh: Nice. I appreciate that, Tim. And great advice. So, as we kinda round third and head for home here, last kind of couple of questions. Um, tell me a little bit more about when, you know, because I, I love the resource, right? So StackSource is a resource, all of our listeners should go to the website, StackSource.com. If you have any kind of commercial opportunity, they're looking for financing, go use them. We've got lenders that listen to this podcast interview series. You'll get on their platform. We're getting on their platform. That's a given right. Now, what I like to hear from an entrepreneurial journey, Tim, what was it like for you when the platform went live and you had your first lender or two or five join the platform and then you had your first couple of deals closed from the platform, right? That first sort of, Yes! That first hurrah moment for you and your partners.

Tim: Yeah, no, for sure. Getting our first loan done. It was, it was exciting to see our first loan requests gone. Um, but some of those first one requests weren't super legitimate and they weren't great real estate deals and they weren't well underwritten and it's going to take several loan requests for us, you know, it takes several requests before we see something that's actually financeable and that's one reason that we have Stack Source so easy to use is hey, shoot it to us, we'll let you know if that deal can be financed, right? Because your numbers just may be something that a lender is not going to pick up on and it's better to know that quickly rather than wait until you're deep in the process and

realize, uh-oh, I'm short on capital and lenders aren't going to give it to me. Um, but so it was exciting because your first loan requests, but then it was validating to get our first loans done.

Tim: Uh, and so it took a few months because real estate deals often take a few months to get closed to get those done in mid-2017. So, our first two loans, there are both in tertiary markets they weren't, you know, our first loan, we are based in New York City and our first loan was not in New York City. Uh, we had a couple of tertiary market loan requests in the southeast, um, come in like in a little town in... I remember one of them was a little town in South Carolina, but the deal, the deal was there, but there's no easy way to access financing broker there. There's no, you know, that the network of local lenders is pretty thin. And so that was, that was perfect for us, it was a tiny loan.

Do we make a ton of money on it? No, but we saw that we could take a borrower that otherwise wouldn't have access to capital that he needs. We provided that access, it got done, it got closed and he got his deal and he had his building and that was super validating for us. Um, and you know, that that validation step, um, you know, actually getting something done, seeing something hit the bank account for the borrower, seeing something hit the bank account for us, was the big you know, first real validation because you can kid yourself about what progresses is to an entrepreneur. Having your website up, not progress, getting the loan requests in, not progress. (Inaudible)

Josh: Right! Yeah. I, I teach my team in my private lending and private equity office and we actually have it written up on one of the whiteboards right now that high performers don't mistake activity for achievement. And you know, the activity of, I got my website up, I've got, you know, I'm talking with lenders. Like that's all activity, that's great. It's important. But really at the end of the day it's about achievement, right? So, it's about getting the first loan inquiry in, the next loan inquiry in, the next lender on the platform, getting deals closed. That's achievement. And so, as an entrepreneurial, being around the office and being around a lot of people, you know, and digging through files, digging through leads, that's all activity. Achievement is what it's all about. I don't care if somebody works two hours a week or 40 hours a week, it's about the end result that they're getting.

So that's really, really where it's at. It's interesting to hear, you know, the activity builds and builds and builds and then you see that achievement come through and then as a CEO, as an entrepreneur, it all becomes about the achievement that stuff at the end of the rainbow, the bottom line and getting there. So that's really great. So, Tim, help me understand like probably last question. So, help me understand what, what do you see the future for real estate finance and for StackSource? Where are you guys going? What do you see over the next 10 years and what's the big mission? What's The big vision for you guys?

Tim: Yeah, there's so much. There's so much to do in real estate finance and there's so much happening and the reason we are tech-centric company is because there's more data out there for commercial real estate than there ever has been before. There were more lenders, there are thousands of potential lenders. We're going to get the ball on our

platform eventually, um, so that, you know, you're getting the best capital. Um, so we're going to continue to add lenders, grow our platform, we're going to become a national company. We've now closed loans in 11 states from New York to California. Um, so, and we're gonna we're gonna fill in the other ones as well. Um, so we're going to become a national company and we're gonna to continue to hone our technology platform and someday, you know, we want the process of finding out what are commercial loan terms, what are commercial loan rates to be as instant as possible.

Tim: Um, you know, you basically, you give us a property address, you upload some financials, you gave us information about the budget and bang. At some point it'll be, you know, certain types of commercial real estate product will be an instant quote like you can get with, uh, with residential mortgages today, not there yet. Building towards that point. Um, you know, we streamlined the process today. It's not quite instant. It will be instant. So, StackSource, some day we hope to be a national commercial financing platform where you're instantly able to get visibility into what commercial financing looks like for any property.

Josh: Nice. Yeah, I love it. I love it. Yeah. We will be on your platform by about 3:00 today, hopefully. Awesome. So, Tim, any final pieces of advice just as an entrepreneur, so entrepreneur to entrepreneur or entrepreneur to our entrepreneurial audience, um, being, you know, building your own company and going through that journey yourself. Any kind of final pieces of advice from that perspective?

Tim: No, don't stop learning is the only thing. And listen if you're a real estate investor and you've done well on the residential side and all of a sudden, you're in commercial. Make sure you learn that quick because commercial loans are very different than residential loans. There's different structure. You're not looking for a 15- or 30-year mortgage at that point. There're all these flavors in between. So, um, you know, our blog is out there as a resource talking about a lot of the differences between commercial mortgages and residential mortgages. Listen to guys like Josh about investing, listen to experts. Um, and, and keep learning and make sure that you understand, you know, the deals that you're working.

Josh: Fantastic. Listen, just awesome advice, awesome advice. And uh, so we'll always have to give our audience resources, right. Obviously, the main resource here is, uh, is Tim's website, StackSource.com. Go there if you have a deal, kind of the minimum is about a half a million bucks, you know, all the way up into the multi, multi, tens of millions of dollars. Um, and many of our members are doing deals in that, you know, starting at half a million on commercial all the way up to \$40 million bucks for, um, for multifamily apartments and commercial deals and uh...

So, check out StackSource.com. Go there, meet with one of their advisors check out deal flow. Again, you can see on their website all the different stuff that they've funded. A wide spectrum of different types of commercial buildings that they've done will be on their platform. And looking forward to building our relationship with Tim. So, Tim, thanks so much for being on today. I really appreciate all your advice. We appreciate the

resource and hopefully our audience uses up all the capital that you guys have and is submitting tons and tons of loan inquiries.

Tim: Josh, thanks so much. Thanks for having me on. Thanks for being the man as far as real estate coaching and look forward to what we can do together.

Josh: You bet guys, our audience, if you enjoyed this, just one thing we asked you to do, leave us a rating and review if you thought this was an awesome interview, great resource. Leave us a five star rating if you thought we were terrible, leave us a five star rating anyway and if you have any questions for Tim or myself, put them right inside the platform that you're on, whether you catch us on iTunes, if you catch this on Stitcher, you catch us on YouTube. My team monitors those platforms for questions, so feel free to engage with us. Ask us questions. If it's something specifically for Tim, we will feed it out to him. He'll kick it back to us with some answers and we'll get you that information. So, thanks so much for joining us today. Go out and do your next real estate deal. Do a big, fat commercial deal with Tim. Tell us all about it.

Go out in the field, make some money, buy some houses by some commercial deals, and as always, be daring and we'll talk to you soon. Take care.

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