



April 10, 2008

Volume 2, Number 12

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*A common complaint among lender s right now is that Borrower's do not seem to "get it." They are still trying to get the loan terms of early 2007 and don't grasp the reality of a "lender's market" where capital is limited and **fear is in control**. Every day we get calls from brokers or borrowers who ask for 10 year IO or that 85% multi-family deal priced below 5%. Well, why can't they get that 85 over Treasuries pricing of last year? Frustration abounds. What some borrowers don't get is that a loan, almost any loan, is a good deal today considering how capital deprived the market is.*

*Yes, we still have money and some it is at surprisingly good rates and terms. We are getting tougher deals done as well. And oh, by the way, check out the new program to provide financing for distressed asset acquisitions. (see the separate email on DAAP! **Call us for a real world, truth in lending quote!***

A Borrower Who Doesn't Know How Lucky He Is: First case in point on the reality of today's market: Bob Margolis, a forty year veteran of the industry and Steve Baker of our office here in Agoura received a loan request for a property in a small town in Mississippi.

The Borrower comes to us with a vacant building and an appraisal in hand after his original bank bailed on him just prior to closing. Very few lenders will lend on a vacant building. The borrower has a successful going business however, so Bob and Steve suggested the Borrower occupy the majority of the space and master lease the balance. Our investor accepts this solution and we went into application.

The borrower commits to do the loan with us but after he gets all approvals he walks away based on the promise of the President of the local bank that he would get the loan done at higher proceeds in one week. Four weeks later, the deal still had not closed. The Borrower comes back to us with an "I would consider" taking the loan if you can close in a week. Bob and Steve and our great investor move heaven and earth and close the deal. The irony is that this borrower, to the very end is angry about every element of the deal. The pricing, the process, the loan amount, you name it.

This borrower is flat out lucky he came to us. We are a very large customer of

this investor and as a “favor” to us they reopened the file after the guy walked from the deal and they maintained the original terms, even though in the weeks prior to closing they had further tightened underwriting, raised rates and increased pre-pays.

What this borrower failed to grasp is that every lender is buried in business and doesn't have to be creative, lower rates or reach for marginal deals. It's a lenders market and this deal probably would not have gotten done at all but for the relationship that we have with this investor and the creativity of Bob and Steve.

Insanity

In 25 years I have never heard this one before: A very competent residential mortgage guy puts a \$3,000,000 loan in application with a local lender here in southern California. The property appraises for \$10,000,000 but the lender cuts the appraisal to \$7,000,000 and then to \$5,000,000 but even at that amount, the loan still works. The borrower has a sixty million dollar net worth with 11 million of liquidity and excellent credit. The processor for the lender is incompetent and the loan is delayed until the very last second. The loan finally funds on the day the rate lock is to expire. The lender funds and then recalls the wire! The broker is frantic but no one in authority at the bank will return his calls. Finally, at the end of business, his loan rep calls and says the bank President had his eye on the file for the last three weeks and finally decided he didn't trust the appraisal. Yes, they admitted it was their fault but too bad. They would reconsider the deal with a new, bank ordered appraisal (at borrower cost) and an additional fee to hold the rate. In 25 years I have never seen a deal pulled after the wire has gone out. How can any ethical financial institution justify this conduct and pour salt on the wound by charging the borrower more costs. Of course you know who is going to eat the additional costs don't you if the borrower decides not to sue the bank.

- Joe Forman, President and CEO



