



March 18, 2008

Volume 2, Number 10

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A Variety of Subjects

There is so much bad economic news out there that I am loathe to add to our collective misery with more stories about our dysfunctional market. So, instead, I thought I would focus on some positive news. Here we go.

I am focusing on finding some positive news.

I am scouring the internet for positive news!

I am searching and searching for positive news.

Ok, I am done. ***I couldn't find any worth sharing.*** Just kidding! See below!

Positive News of the Week:

- **Really Low Rates:** One of our investors has come out swinging with very low rates. We can offer par priced 3 year multi-family loan to \$5,000,000 priced today at less than 5.9% with ten year deals at 6.25%! Commercial loans are priced at 6% with a ½ point fee for a 3 year deal. This is available nationwide. Rates change every thirty seconds so call for our latest pricing.
- **Lower rates for lower risk.** One of our investors is lowering spreads by 25 bps for loans under 65% LTV with 1.30 coverage. Another reduced spreads by 50 bps for 25 year amortization instead of a 30 year. This is evidence of the continuing flight to quality.
- We still have money for **hotels and assisted living at attractive rates.** Borrowers need to get their loans now for these asset types before funds dry up.
- We are starting a **fund to finance the purchase of distressed properties and discounted notes.** This fund will provide capital to borrowers acquiring distressed assets from lenders. The Borrower must have significant experience, capital in the deal, and a clear turn-around plan. The fund will focus on providing funds to enable a quick acquisition which will enhance Borrower credibility with distressed sellers.
- **Letter of Credit Program:** We will be rolling out a new program that utilizes a Letter of Credit to provide very low rate financing. The current two year all in rate is 3.75%, five year is at 4.75%! More to

follow!

- **Our Bridge lenders** are very active and quoting on a variety of deals. Must have a clear exit strategy. Send in your submissions.

This week's awards for the Dumb, Dumber and Dumbest moves.

Dumb: A broker submitted a loan request for construction money on four condos in Venice, CA. She sent this loan request to over **two hundred** lenders/brokers! A new record for loan submissions. This brings new meaning to the term "loan shopping." Obviously this broker is not exactly knowledgeable because many of the lucky lenders to receive this submission are no longer in business or were never construction lenders to begin with. She must have found a list somewhere and figured that it couldn't hurt to submit it to everyone on the planet. To add to this mess, every lender was included in the "CC." So, our email addresses are now exposed to every spammer out there. Lucky us.

Dumber: A few recipients compounded the problem by hitting the "reply all" button. So, all two hundred of us got the "I can do this loan" pitch, or "take me off of your list you dumb....." What a mess.

Dumbest: My patience was tested by a borrower who is smart at buying and renovating properties but not a rocket scientist on risk management. Am I being too harsh? You be the judge. This borrower buys three apartment buildings on a high leverage bridge loan in downtown LA last year. He does a nice job of renovating the building and upgrading the tenancy. He wants to refinance and pull some cash out and lower his interest rate. We offer him a 3 year fixed rate at 5.65% or a 5 year fixed rate at 5.9% **with no prepayment penalty with cash out of \$400,000 on a \$6,000,000 deal.** Costs are 1 point plus \$4,500 per property. (Remember – no prepay!) The borrower went back to his existing lender and got a quote for a one year loan at 6% but with no costs. The costs of our loan amortized over five years amount to (get this) \$16,000 per year. So, he can put himself in a safe position for five years at a cost of \$16,000 per year or he can run the risk that the one year lender will not extend loan or his property will not appraise next year. Uh, Mr. Borrower, in this kind of environment, lenders go out of business or are pressured by regulators not to extend loans! Do you think it might be worth pennies to get safe? If he opts to take the one year deal, he wins the award for the **Dumbest Move of 2008!**

Sign of the Times:

I spoke today with a senior person at one of the large "Alt A" lenders about their residential REO. He said that they have been selling homes in some markets for as little as \$5,000 just to get rid of them. No, I am not missing some zeros. These were loans originated a year ago for \$150,000 in the rust belt. That is how far home prices have dropped in some markets. This lender is taking, in some cases, a write off of 100% of the original loan amount on purchases and just hoping to recover the costs of foreclosure.

Along the same lines, one of our bridge investors is taking back a mismanaged hotel & golf course facility. They are not operators and will be selling the property once the foreclosure is completed at thirty cents on the appraised dollar. (Around \$6.8 million) Must be an all cash purchase. That's why **CASH IS KING!** If you are interested in learning more about this deal, please contact me: jforman@bondstreetcc.com

Speaking Of.....

I will be speaking at three different events during the next sixty days:

- I will be hosting a panel at the Crittenden Conference in Las Vegas on May 1. Go to <https://www.crittendennational.com/> for further details.
- I will be participating in the Arizona "Office Summit" conference to be held on March 27, 2008 at the Ritz Carlson. My session is on the current state of the Capital Markets. For further information please contact erossmann@rejournal.com
- On April 10, I will be speaking to a select group of folks at the Wells Fargo on the subject of sourcing loans through intermediaries.

-Joe Forman, President and CEO

