



BOND STREET CAPITAL NEWS

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NEW PROGRAMS: GREAT RATES AND NO PRE-PAYMENT PENALTY

These two programs provide great fixed rates on a short or longer term basis without a prepayment penalty. You can lock in the security of good rates while still having the option to move into another loan at anytime without cost. The perfect program for the borrower that wants flexibility!

Mobile Home Parks and Manufactured Housing Communities

Loan Amounts \$500,000 to \$15,000,000 (larger loans will be considered)
LTV up to 80%

DSCR 1.20

Terms: 3, 5, and Ten Fixed Rate Programs

Rates from: mid to high 6% depending on term, asset quality, borrower credit, etc.

Asset Quality: Parks must have paved streets, skirted coaches. Single wides ok.

Self Storage Facilities

Loan Amounts \$500,000 to \$15,000,000 (larger loans will be considered)
Rates starting at 6.7% and up depending on term, asset quality, borrower, credit, etc.

LTV up to 75%

DSCR 1.25

Terms 3, 5, and 10 years

Well managed properties in strong markets without threat of overbuilding.

EXTRA, EXTRA - THE BEST PRICED PROGRAM IN THE MARKET

One of our banks has really inexpensive money for the right deals: multi's starting at 140 over Swaps (about 5.10 or so today) and commercial at about 160 over Swaps. Very low leverage - 70% for multi's with a 1.30 DSCR and 60% for commercial with a 1.35 DSCR. Urban locations and primary commercial products. This lender only has an allocation of \$500 mil for the year with \$300 mil already committed. Serious borrowers need to act now if they want these kinds of rates. Please contact your local Bond

Street office for further info. (Borrowers only on this product please)

GOOD NEWS, BAD NEWS AND THE REAL WORLD - IT'S ABOUT GETTING THE LOAN CLOSED.

My last newsletter on the subject of whether to convey good or bad news has generated more response than any other article since the inception of this newsletter. Perhaps it's the "half full or half empty glass" mentality that dictates whether the reader responds positively or negatively to the news. While I may be conveying bad news, I am fundamentally an optimistic person. In fact, this real estate financing market is a cakewalk compared to the early 90's when no money was available.

Whether you are a broker, a lender, or a borrower, knowing what is "really feasible" from a financing perspective enables you to make smart decisions. For example, this morning I received a loan request from a broker who represents a client who intends to build town homes for sale. In the request he told me that the borrower wants 5% money. Clearly this client is not in the real world. There is virtually no money for condo construction to begin with and certainly not at 5%. Unfortunately this broker is apparently so desperate for business that he is willing to waste his time working for a client that is not realistic. He said in his email "this client is allowing me to work on this deal? Allowing? Mr. Broker, this client is pulling your chain and you are playing along.

Now granted, it's hard to know what can or cannot get done in this kind of market when the deal is off-center. We survey not only our investors but many, many lenders out there every week but, the market is so fluid that it is hard to know what works at any one time. For example, a very experienced and successful broker recently asked if we could finance a fractured condo. His very strong clients own 40 percent of a well located, urban project that is fully rented (high end units). The clients want 80% loans in the 6% or better range. We bet a lunch that no lender would provide that leverage at that rate given that the borrower did not control the HOA. I won. No lender wants that kind of leverage in a high end condo project without borrower control; not when there are many other loans hunting for a home.

Now, I am going to brag a little because I think we are very good at getting deals done that are not down the center of the plate. Of course we can't take a bad deal and make it good but experience and a little creative thinking can resolve the troublesome issues. I can't promise you we can get every deal done but I can promise you that you will get a lot of effort and straight answers every time.

WHY LOAN RATES ARE NOT DROPPING AT DEPOSITORY

INSTITUTIONS.

Last week the Capital Markets were in absolute turmoil. The Treasuries and even the Swaps dropped to historically low rates. Yet, with all rates clearly dropping, why are most banks, thrifts and credit unions not dropping their rates? There are three reasons:

- **They don't have to:** Hundreds of billions (yes I said billions) of dollars have left the market. We are in a mini-credit crunch and most depository institutions have a limited amount of money to lend with more business than they can handle. They don't need to drop rates to get good deals.
- **Cost of Money:** Depository institutions lending money for deals they intend to keep in portfolio price their loans depending on their cost of money. While the Fed is trying to drive down rates to help ease the housing crisis, the banks, thrifts and credit unions have a cost of funds not reflective of the current drop in rates. These institutions have for the most part never responded to the drop in Treasuries to set pricing. They set pricing to generate a certain profit over the cost of funds. Until their cost of funds drops, they will not lower pricing.
- **The "floor rate" concept:** In Capital Markets deals there have historically been a "floor rate." This is the minimum rate that investors will purchase a security no matter what the Treasuries are doing. Last week spreads widened as lenders simply refused to take yields that were too low. The same concept is true at depository institutions. They set a floor at which they are willing to play.



Coming Soon!