



BOND STREET CAPITAL NEWS

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Read, Heard and Otherwise Absurd

New York City hotels are experiencing such a high level of occupancy that room rates have soared to an all time high. High rates and occupancy are translating to the construction of **59** new "moderate" priced hotels with another **106** in the planning stage. The new hotels are expected to increase total rooms in the \$200 to \$300 category by approximately 10%. The additional hotels are not likely to cause a reduction in ADR (average daily rate.) High occupancies are being driven by Europeans who find New York on sale for half off. It's a good time to be in the hospitality business in New York. (Associated Press)

In the category of "jump on the bandwagon" Presidential hopeful (very hopeful) Senator Christopher Dodd took the House Bill regulating mortgage lending we spoke about several weeks ago and "toughened it." While it is still in committee, the fact that Dodd is pushing to tighten the restrictions is quite scary for anyone in our industry. Dodd wants to not only toughen restrictions against brokers but wants Wall Street firms to be liable for alleged broker abuse. *Ok, let me get this straight. I am a big pension fund. I can invest in hundreds of deals where my return is higher than mortgages and my risks are measurable OR I can invest in mortgages where I can be sued by Mister unhappy home borrower years later. That mortgage broker had a duty to tell Mr. Borrower not to buy that home and go live in a Winnebago. HMMMMM, I think my pension fund is better off investing in water parks.*

CMBS spreads tightened last week. (Yea!!!!!!) The AAA tranch tightened about 15bps as some unexpected strength emerged perhaps from the continuing trend by the Fed to lower rates. The first indications of an uptick were felt in the secondary market for CMBS paper followed by new issues. There also seemed to be an increase in strength in the lower tranches. For the Capital Markets to reemerge as a viable lending option, we need rates at least 50bps below bank options. *Not there yet, but the sun peaked through the clouds. (Info courtesy of Samantha Rowan, Editor, REFI)*

TEN YEAR PORTFOLIO MONEY DRYING UP - The banks are tightening up!

Three months ago we had at least a half a dozen investors acquiring ten year fixed rate loans from us. That number **has dwindled to just a few and the prices have widened substantially**. Why? In my conversations with various investors, I get two responses; either they have filled their bucket with this product OR they were relying on a securitization down the road to sell their loans and now all bets are off in that arena. We have often heard the phrase "them that got's the gold, makes the rules." That is evident not only in widening spreads, tougher underwriting guidelines, but also in the limited choice of programs. Take the true "subprime" lenders of the last two years. CBA has disappeared. The folks based out of Miami are still in business but they have raised their FICO score minimums to 640. This is a major change. They are getting all the deals they want and increasing FICO scores translates to perceived less risk and that is what sells.

It's no longer a "borrowers market." It's now a "lenders market." Programs and lenders come and go. **Borrowers may regret waiting for the "better deal"!** It's like going to COSTCO. (How is it that we never get out of COSTCO without spending over \$200 for two of us?) Those of us that shop their regularly have learned that if you see something that you want, you better buy it right then because it won't be there tomorrow. The same thing is true in the loan market.

THE BEST (WORST) LOAN SUBMISSION OF ALL TIME.

Last week I received an email twice as long as this newsletter. The email was one long paragraph which rambled across a variety of issues. (Sort of like this newsletter.) I think I am like most people in that I have hard time reading long paragraphs without falling asleep or otherwise losing interest. Normally, I would put off reading this email until after my sixth cup of coffee. **However, this email caught my attention.**

The writer indicated that he was looking for a loan on a commercial property and that he had uploaded onto an FTP site over **45 megs of data**. With this amount of data, this had to be a large retail property or office building. **Now he really has my attention.** Next, he starts talking about the success of his business and that he is borrowing to put a new roof on his property. **Now I am confused.** Then he hits me with **"my plan is review the proposal of the 35 lenders I have submitted my loan request to and then narrow it down to two candidates who will have to fight for my**

business." Now I pick myself off the floor. I have heard of having lenders compete and we certainly do, but **35 lenders?** Having 35 lenders reviewing a deal has got to be a new record. What is more insane is that he actually told us. I know borrowers shop but I have never had one tell me he is shopping his loan to 35 lenders.

Here is the payoff! It's a **\$650,000** loan request that probably does not work. **\$650,000!** Ah, we pass!!!! Don't get me wrong, we appreciate the opportunity to consider any loan, but I don't think it makes a lot of sense to review 45 megs of data and compete with 35 other folks for a loan of this size. Life is too short.

Post Script:** I wrote the guy an email thanking him for the opportunity but passing. The next day I started getting emails regarding this deal from other lenders. I then realized that the guy put the **email address of all thirty five lenders in the "cc" section of his email.** So, now, my email box is filling up with responses to the email and his return responses. Everyone keeps hitting "reply all" when they have something to say. As the emails pour in, it now appears that half a dozen of the thirty five lenders are loan submission sites that pass the loan to more brokers and lenders. It's like a never ending joke where you keep waiting for the punch line. **Will someone please tell this guy to get a mortgage broker to handle his mega-loan? He will get a much better result!

- Joe Forman