

# BOND STREET CAPITAL NEWS

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## INDUSTRY NEWS

- Capital Markets Update** Sub-prime woes hit commercial. \$245,000,000 in loans thrown out of recent sale. Spreads have widened out over the last five weeks about 25 bp. Ten year IO may be a thing of the past. Look for more conservative underwriting as both AAA and "B" buyers are throwing out highly structured deals that are viewed as poorly underwritten.
- Housing Woes** Census Bureau reports a record 2.18 million homes for sale in the first quarter which was not occupied. This is up four percent from record levels of the 4th quarter and up 38% from earlier levels.
- More Housing Woes** National Association of Realtors (NAR) report biggest one-month drop since January 1989. Sales of existing home fell 8.4%. Problems in the sub-prime sector are blamed for the fall-off. Home prices are expected to decline for the first time since 1968 according to the NAR
- Rates** The **Federal Reserve** has once again kept the benchmark interest rate on overnight loans at **5.25 percent**, citing inflation as its "predominant policy concern." What remains uncertain in the long run is the impact this past year's housing cool down.

## DEAL CHALLENGES/DEAL SOLUTIONS

**The Challenge:** The Borrower owns 13 multi-family properties in "C" and "C" minus locations in metro Los Angeles. Occupancies are high but rent control limits income growth. Some of the properties are over 60 years old and do not have current Certificates of Occupancies. This generated a concern about what could be rebuilt in the event of total destruction. Cap rates are in the 5-6% range. The borrower wants max proceeds with a 10 year fixed rate loan.

**The Solution:** The property was not only set to a 10 year fixed rate but the loan was underwritten on an IO basis which was effectively at 1.05 coverage. BSC worked with engineers, appraisers and legal to overcome the missing CO's. The very happy borrower closed the loans at 5.61%.

### Interest Rates

	Current Rates	May-2006	May-2002	May-1997
Prime	8.25%	8.00%	4.25%	8.50%
1 Year T	4.91%	4.94%	2.00%	5.63%
5 Year T	4.51%	4.75%	3.82%	6.22%
10 yr. T	4.63%	4.80%	4.61%	6.35%
30 yr. T	5.36%	5.43%	5.80%	6.61%
1 Mo. Libor	5.32%	5.11%	1.84%	5.71%

## FEATURED LOAN PROGRAM

### Commercial Flex 100

**Property Types:** Most commercial property types including *Chain Fast Food, Assisted Living, Gas Stations, Single Tenant and Fractured Condo's*

**Type:** Permanent

**LTV:** Up to 80%

**Term:** Up to Ten Years

**Program Highlight:** Bank style program with flexibility. Story deals work. Competitive rates! Fast closing!

## RECENTLY CLOSED LOAN



**\$53,300,000**  
**Marriot Suites**  
 Hotel  
 Garden Grove, CA  
 Capital Markets Program

3 Mo. Libor	5.36%	5.23%	1.90%	5.83%
1 year Swap	5.32%	2.21%	6.73%	n/a
30 year Swap	5.36%	5.44%	5.80%	n/a

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### **Join Team Bond Street**

We are looking for experienced commercial loan originators that want to help service our growing customer base. We also offer Branch Office opportunities for select companies. Please contact **Ned Hosken at 818 336 4107** for further information.