



May 15, 2008

Volume 2, Number 15

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Last week I joined that select fraternity of professional athletes and weekend warriors who fixed their injured shoulders by having rotator cuff surgery. This is a fraternity I never wanted to be part of but I really had no choice. It was either fix the shoulder or continue to suffer with terrible golf scores. Of course one might argue that I need a lot more than surgery to fix my golf game. I tell you all of this because this newsletter is being written while I am heavily sedated and so I am only going to be partially responsible for what follows.

More Blood On The Field of Play

For weeks I have made every effort to be positive and upbeat about the financial markets by trying to find the good news. This week, however, I do have some sad news that needs to be reported. ING Bank's commercial small balance lending group announced they were shutting their doors. This was unexpected given the size of the bank and the relatively minimal exposure here in the US that the bank has on commercial and residential development loans. From an outsider's perspective this decision does not make sense. ING could have been a major player in this business had their highly competent team been given the opportunity to perform.

On the Speaking Circuit

I had the pleasure earlier this month of hosting a panel at the Crittenden Conference in Las Vegas. I think this is one of the better conferences to attend. I highly recommend this Conference to everyone when it next comes around.

My panel focused on understanding the impact of the collapse of the capital markets on all commercial real estate financing sources.

Charles Krawitz, the Managing Director for the small balance commercial loan programs of Key Bank was on the panel along with Chris Tokarski, the Chief Credit Officer for the commercial conduit activities of Countrywide and Mark Savan, the Managing Director of our brokerage affiliate, The RainMaker Financial Companies.

Chris and Charles provided an in-depth view of the state of the capital markets. First, they clarified that there is a marginally functional capital markets pricing even today. Pricing is close to the 400 over Treasury range plus range which means rates are north of 7.6%. Given that we have loan programs in the low to mid 6% range, this pricing is certainly not very attractive. So, even though the doors are open, there is no business for Wall Street. But, at least we have a market. When I put the question to them about where they see pricing at the end of the year, both responded that sub 300 was possible.

Even at 300 pricing will the conduits do any business? Remember, conduit deals have defeasance and are more costly. Mark Savan responded to that question with two observations: first, non-recourse is necessary to some borrowers. These folks will trade off the conduit negatives for non-recourse. Secondly, there may be certain asset types such as hotels that have limited portfolio options and financing at any price may be the only option.

Mark also pointed out one interesting anomaly in this market. Senior debt for loans over 25 million dollars is scarce. It's really a crazy market when you have dozens of lenders to choose from on the bridge and mezz side of the plate but very slim pickin's on normally leveraged large loans. *Conduits come back now! We need you.*

Words of Wisdom

As we were leaving the Conference, Charles Krawitz pulled me aside to give me a piece of advice about this newsletter. Charles is a good friend and I always listen to his comments because he is generally right on with his observations and he usually buys dinner. He said that he enjoys these newsletters because they are "folksy" but I am really missing the boat. He said I don't spend enough time in these newsletters telling people how good we are at what we do.

Charles is right; I probably don't toot our horn enough. I need to tell folks how competent our team is, how great our programs are, and how effective we are in putting the right financing in place for our clients. I need to shout from the roof tops that we have money for good borrowers and good projects at competitive pricing whether the property is stabilized, a turn around, or even new construction. That is what I need to tell people.

Now I have to admit that I have thought about being a tad more like some of our competitors. Less substance, more sales pitch. How about the following:

"We here at Bond Street make the commercial loan process as easy as getting a credit card. Send us a few papers and we will close a loan for you today. No fuss, no muss. There is no credit crunch in our world. We have lots and lots of money at very cheap prices - call us now. Today's special - 110% financing available for borrowers with bad credit and marginal properties. We don't require deposits, we don't charge fees and of course our pricing is below 5% AND..... *we are giving an IPOD to the first ten callers who close a loan with us. Call today!**"

**All programs are subject to change without notice. Whoops, it's changed already. The above program special is now available only on the island of Guam and submissions must have been received by May 1st, 2007.*

So, should we go with this new sales pitch? Nah... We will stick with telling it as we see it; good, bad, or otherwise!

- Joe Forman, President & CEO

