

Title:

Commercial Mortgages Transform - Jan 2007 update

Word Count:

481

Summary:

Many commercial lenders have gone out of business, where purchased, or have filed bk. Here is a summary of how commercial lending in California is being affected.

Keywords:

Commercial Mortgages, Apartment Building Loans, Mortgages, Commercial, Real Estate, Apartments

Article Body:

Many commercial lenders have effectively (if not actually) shut their doors. For the rest of us, the resulting volume is so great our appraisal and processing systems are stressed to the limit. Several of our competitors are not even taking any more loans just to get through the current overload in their systems. We have chosen to push through the current avalanche of loans, and will continue to entertain your new loan requests - all while trying to keep our rates very competitive.

What has changed (at least for now, and especially on larger loans) is our desire to only look at solid apartment and commercial properties, with borrowers that add to the overall strength of the loan. To lessen our processing overload, we have temporarily "closed the tap" on hotels/motels, gas stations, owner/user properties, environmental issue properties, "poor-credit" borrowers, etc. This is intended to help "unclog" the backlog so that your more traditional loans will go through faster.

For loans \$3,000,000 and above, we are going to be strictly looking for traditional properties, nothing exotic, no stories, issues, or moving parts. Policy DSCRs and LTVs will be strictly adhered to. Borrowers will need to have average credit scores of 680 or better, their adjusted net worth must be 150% or greater than the loan amount, personal debt ratios cannot exceed 40%, etc.

Loans under \$3,000,000 have more flexibility in all these areas. The range of acceptable product types is greater, we will look at a wider range of borrower credit and issues, and we can look at offsetting strengths and weakness (where

we will not in larger loans).

Debt Service Coverage Ratios are on the rise as we see the economy weaken... 1.20 ratios for residential and 1.25 (or higher) ratios for commercial for the time being...

Though I'm not sure for how much longer... we are still offering to lock your loan, for up to 90 days, at no cost to your borrower.

And yes, we still offer you 1/2% rebate pricing - up to \$15,000.00 per transaction.

I have enclosed our latest rate sheet for your review, and I will be happy to discuss your next transaction. On loans over \$3,000,000 I will want to see reliable borrower financial data along with your submission - but feel free to call to discuss the transaction even if you do not have "everything" in hand.

For the short term, loans can be expected to take 60-90 days to close. We cannot handle any "rush" transactions for at least the next 60 days. Please let your borrowers all know to structure sales with longer closing dates!! If you have a 1031 exchange, make sure all parties can live with the reality of these closing times. The shortage of quality lenders with good rates, and the uncertainty of the market, will pass and the market will settle. Until then, we will try hard to meet your financing needs. My best wishes to you for the New Year!