

// a view into the world of commercial mortgage brokering //

OUTLOOKS

:: Editors Column ::

> SPRING/SUMMER '14' <



Anthony M. Gramza

JANUARY, 2013 STARTED OUT SLOWLY

but with honest feelings that this year was finally going to be one of much more activity in commercial mortgage lending, new construction, refinancing, and restructuring some of the problems of the past. It would be the year of plentiful investment funds, low interest rates, somewhat easier terms, and a hopeful sign of full cooperation on the part of clients in need of dollars. The signs all showed that...or did they?

IT'S A SLOW START, BUT IN FEBRUARY

inquiries came in and most of the calls dealt with refinancing of existing properties. As forecasted, money was made available by some lenders, but not all. Rates on most of the decent projects where in the 4.5% to 5.5% range, fixed terms, and offering up to 30 year amortization. A funny thing (if you say so) is that the clients did not accept or grab! Why you ask... when we can remember that a 10.5% interest rate was the norm a several years ago and the client was glad to get it.

HOLD ON WHILE "I PUT ON THE COLLAR"

Excuses abound from "I can do

better", "I don't want to pay for a new appraisal", "We don't pay retainers", "Another broker says that they will reduce their commission if we go with them", "I think I will hold for a few more weeks/months, whatever", "I didn't realize the fees would be so much", "You

years in this industry mean anything? Have you checkout our credentials? And, on the other side... "Are you really being truthful"?

THE WORD IN THE INDUSTRY FOR SOME- what the balance of the year was "delay, delay, and more delays". There was frustration on both sides of the

transaction, the client as well as the broker. Clients or their brokers/agents were calling and supplying some basic information, our offices provided what we considered very acceptable quotes, and yet, clients held off or decided for whatever reason, not to move forward...at least with us. And truthfully, this was felt almost throughout our entire industry.

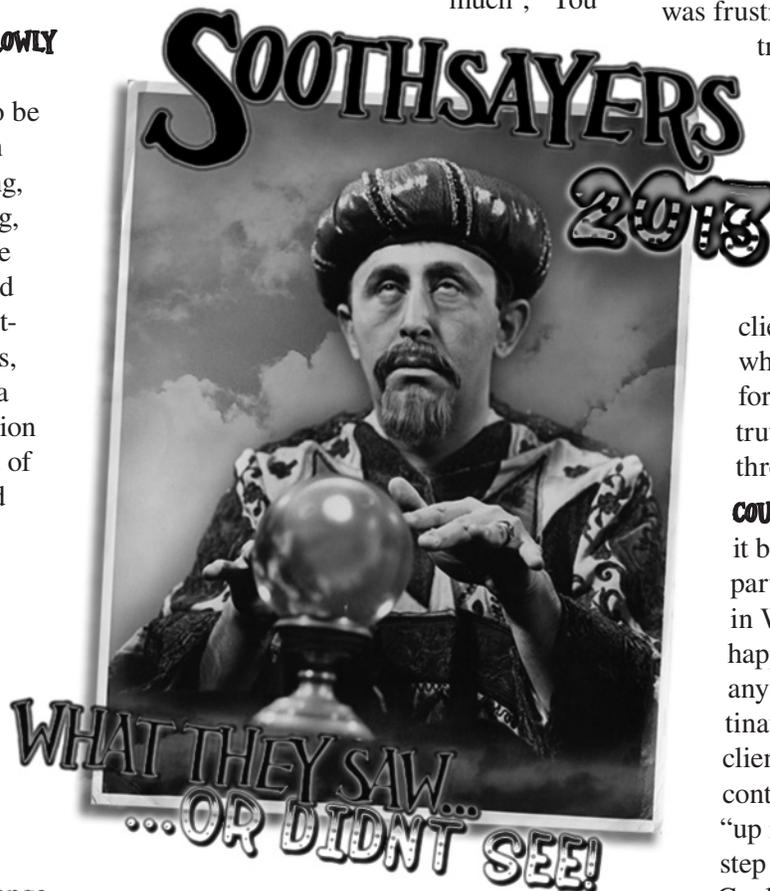
COULD IT BE THE ECONOMY? COULD

it be the lack of interest on the part of our legislative leaders in Washington? Would all the happenings in the world have anything to do with the procrastination and uncertainty of our clients? Could it be that there continued to be clients that were "up in the air" in taking the next step or refinancing their project? Could be...your guess is as good as ours.

ONE LAST THING FOR SURE, WE WILL BE

here, our phones and doors are open, we are in constant contact with our lending sources, and we feel optimistic for business in 2014.

—AMG



cannot meet my timetable, I need this done yesterday", "I'm not getting good vibes from my friends about the economy", "I can't meet the skin the game requirements", and one of the best ones.. "How do I know that you will only take the retainer, and never follow through with getting me the mortgage"? Hello!....does thirty (30)

i don't need a broker...do I?

One of the first items a proposed entrepreneur will ask themselves when they are in the process of securing mortgage financing for their existing or newly constructed commercial property/venture. And the answer is...NO. You certainly can do it on your own, or with the help of your friends. But will you be successful? Will you meet your intended goals? Will you feel that the terms offered were the best, even from any sources

"You certainly can do it on your own...But will you be successful?"

around the country? If you feel comfortable with what has been offered to you...go for it!

On the other hand, maybe you need to consider the following:

- + Not all banks in your area are or will be in the commercial mortgage market.
- + How good is the collateral being offered?
- + Do I know for sure what the lender is looking for?
- + Are my exhibits in order and will they entice the lender?
- + Do I have the time to do all the due diligence required?
- + Can I take the time to compare all sources to find the best deal?

If there is any doubt, then maybe, just maybe, you will want to consider the services of a professional licensed commercial mortgage broker.

Here are the items you should consider:

- + Is that broker required to have a state license?
- + What are his or her credentials?
- + Will they provide you references? If not, why not?
- + Have you questioned any aspects with the person you will trust to secure the financing?

Part of your decision making process should include the following:

- + Your broker is a consultant who is there to bring solutions to your potential problems.
- + Reputation is important....do they have one?
- + How do I eliminate risk and meet my timing deadline?
- + Was your broker/consultant recommended by someone you trust?
- + Do you feel you can build a relationship with that person?
- + Have I done my due diligence?
- + Truthfulness is the best policy.

"If there is any doubt...consider the services of a professional"

- + Do I realize that price is not always the best indicator?
- + Am I willing to execute a mortgage placement, non-disclosure/non-circumvention agreement, and provide a reasonable retainer for work and services done on my behalf?

The proper submission can make a deal happen. Your broker/consultant is the "go-between" you and the lender. It is their job to curb all and any obstacles before presentation. Cooperation in supplying all the required documents and exhibits will enhance the timing of the review, underwriting, and final approval. Regardless of what you may hear, not all lenders are interested in all submitted transactions. You hear the doors are open, however, they don't always tell you of how strict their underwriting guidelines are. You are seeking an 80%LTV and they will only approve a 70% LTV. Your broker/consultant can weed those obstacles out and eventually save you

"As they always say, 'you get what you pay for'..."

time and duplication of efforts. Your broker/consultant will and should work with the other members of your team, namely you're legal counsel and accountant. The overall process is not easy and it is and can be very time consuming. A reasonable retainer is paid for the service they render, but there is "no guarantee that they will receive their commission.

As they always say, "you get what you pay for". Consider all avenues before you charge forward. If 2014 is your year for a new project or a refinance of any existing one, consider the services of AMG Commercial Mortgage Group. We will do our best, with your full cooperation. Good Hunting...

Investing in a Partnership

You have decided to venture into the commercial marketplace. You have engaged a professional mortgage broker to act on your behalf in securing the needed financing. Your documents and preliminary exhibits are submitted to the lender. Positive word is received with initial terms and conditions, which are satisfactory to you and your partners, if there are other individuals involved. Lenders are not seeking "tire kickers" but individuals seeking a true partnership.

The lender is now requiring a deposit for due diligence work on your behalf. Just what is this "due diligence fee"? Actually it is used for expenses incurred

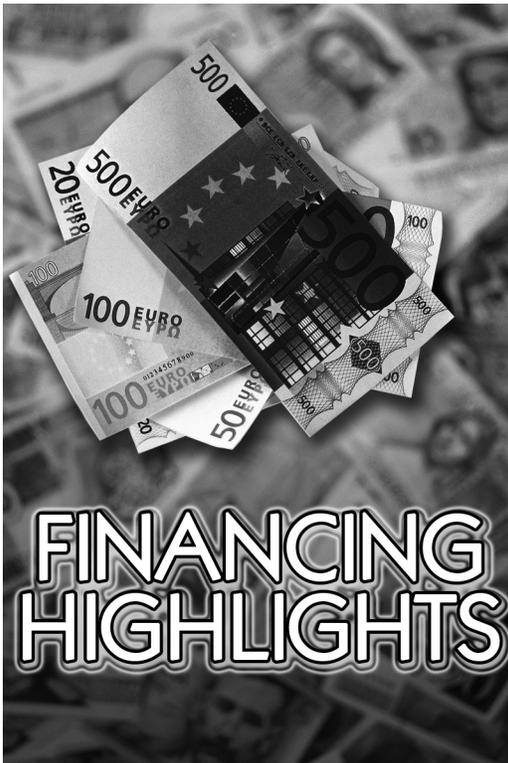
on legal, environmental, accounting, real estate study, credit analysis, and overall underwriting. This is where the partnership comes into play. You are asking for a very large sum of money



---- Make sure you and your broker are ready to make that commitment in the partnership. ----

for investment into your project. The lender is willing to make the investment, assuming that all you have said is correct. Their due diligence is an investment in proving "the viability and eventual profitability of the project.

Furthermore, this due diligence fee guarantees that all the lender's expenses will be covered, especially if the client decides to walk away from the transaction after work has begun on their behalf. Therefore, you need to be serious and willing to invest in both time and dollars. Make sure you and your broker have done your own analysis and are ready to make that commitment in the partnership.



TYPES: Most lenders that are in the commercial lending market will consider almost any type of real estate opportunities, with a few exceptions which are normally discussed at the time of initial submission.

LOAN TO VALUE (ltv): Depends on the type of venture, location, and competi-

tion. For most lenders in the "conventional lending field" the LTV is 70% to 75% of the cost or value, whichever is the lower of the two. In some cases, lenders will quote 90% of cost or 75% of final value as their benchmark. In the case of financing procured with "bond financing" the LTV can be as high as 100% of total cost, however, the required loan amount must be in excess of US\$10 million dollars.

LOAN AMOUNTS: \$500,000.00 to \$300,000,000.00

INTEREST RATE: The spread is wide.

Today (2/2/14) rates are being quoted from 5% to 8%, and it really depends on type, location, need, and lender interest. If you are seeking a bridge loan, the rate can vary from 9% to 12%.

LENDER FEES: Typically, the range on a conventional loan is from 1% to 2% of the funded loan amount. In the case of bond financing, the fees can be from 5% to 10%, and are included in the loan amount funded.

SUBMISSION REQUIREMENTS:

- (l) Lenders today typically request all exhibits and forms electronically forwarded to their offices.
- (l) Completion of their own forms

are required upfront, completed in every detail, together with an Executive Summary, a Feasibility/Viability study or Business plan, a Pro-Forma Financial Statement, Resume on all principals holding 20% of more of the subject, and Current Financials.

(l) In cases of existing properties or refinances, several color photos will be helpful.

(l) In the case of a few lenders, they wish the broker/consultant to make a personal inspection and file a written report to the lender.

(l) They will order "their own" appraisal, with the assistance of a "staff" appraiser or through a state licensed appraisal firm. Note: any existing appraisal over six (6) months old needs to be updated or totally redone.

TIMING: Plan on 75 to 90 days on a typically conventional loan request and 90 to 120 days for financing approval using the bond route.

LOAN TYPE: Conventional, HUD, Bond, and Joint Venture (JV) Partnership.

LOAN AREA: Continental United States and International.

Good luck and happy hunting!

898 Ridge Road :: 39B
Webster, NY 14580-2556
phone:: (585) 787.4310
cell:: (585) 766.9540
e-mail:: amgramza@amgcm.com
web site:: www.amgcm.com



No.51 :: > SPRING/SUMMER 14' <

OUTLOOKS

IN THIS ISSUE ::

Editors Column ::

> Soothsayers 2013...What they saw...or didn't see...

Columns ::

- > I don't need a Broker... do I?
- > Investing in a Partnership
- > Financing Highlights

Everyday is Veteran's Day

Have you had an opportunity to see a person in a service uniform, or a wounded vet, or a retired veteran from any of the wars or conflicts, and give them a "Thank you for serving" smile or salute? Think about it, and what that person has done for our country, your family, and yourself. I feel that many of us just think about it as another day, and not what that Vet has gone through.



If you have some free time, think about volunteering at your local VA medical clinic or hospital. Whether it is for a few hours or all day, your services are totally appreciated, and volunteers are

always needed. I can tell you that from my person experience as a veteran and volunteer myself, and whether the thanks comes from a veteran receiving medical attention, or the medical staff, it is most gratifying.

People ask me why I do it. I do it because the VA has treated me fairly and the staff has always handled my medical needs with the utmost professionalism. What else could I ask for? Whether you are a vet, whether or not you are receiving medical benefits, or just a concerned citizen, consider being a VA volunteer. You will be happy you did it.

AMG

PLEASE TAKE NOTE ::



www.amgcm.com



FUNDING AVAILABLE

- Bridge loans \$ Blanket Mortgages
 - Multi-family \$ Asset Based
 - Construction loans \$ Three (3) year terms
 - Loans —\$100,000 to \$10,000,000
- Call for more details!

OUTLOOKS ©2014

AMG Commercial Mortgage Group

All Rights Reserved®. Any duplication in whole or part is strictly forbidden without the express written permission of the AMG Commercial Mortgage Group. Address letters, comments, suggestions or articles to: 898 Ridge Road - 39B, Webster, NY 14526-1046.

Or call: (585) 766-9540, or e-mail: amgramza@amgcm.com. All submissions (PC format only) become the property of the AMG Commercial Mortgage Group. We reserve the right to edit all submissions. OUTLOOKS is published as a service to our clients. Additional subscriptions available.

Publisher/Editor: Anthony M. Gramza
Design & Layout: KPG Design - kpg@kpgdesign.com