



The Secondary Market Insider

A few thoughts from

LoanSaleCorporation

As we enter into the dog days of summer (currently 115 degrees in Phoenix), I thought it would be nice to send over some casual, poolside reading material!

LoanSaleCorp is currently seeking commercial real estate loans from community and regional banks. We offer secondary market services for the disposition of performing, sub-performing, and non-performing loans.

Our business model centers on direct contact with banking professionals involved with managing loan portfolios. We speak with banking professionals nationwide on a daily basis, and therefore feel we have a fairly good perspective of the viewpoints shared by these professionals, the current market conditions, trends, and forecasts for what lies ahead as it relates to real estate loans and the management of them. I guess you could say this information is a byproduct of our business model.

The new bank business model; workouts

With the inactivity in lending, many banks are choosing to assign the loan work out function to the staff on hand (in most cases these are the same people who originated the loans) and slowly work towards foreclosure. These people are experiencing a high level of inbound calls from brokers and buyers seeking distressed opportunities. In many cases the call volume is so high, that some banks are setting up a dedicated voice mail line directing callers to leave their contact information. Such distractions are proving to be a strain to many banks. Vetting capable buyers and worthy brokers; distributing lists, managing confidentiality agreements, answering questions pertaining to the assets, etc. are daily tasks creating a burden for many bankers we speak to. This additional workload really slows down the path of progress.

Some banks are choosing not to sell loans. Some we speak with have decided that a workout with the borrower or taking the loan into REO status will result in a better execution. We can't offer any hard statistics on selling a loan versus selling an REO as it relates to pricing. I do know that selling a loan is a ***much quicker*** process. I would think that this fact would have some sort of monetary value. The probable reality is that a combination of the two might be the best route, depending on the nature of the problems associated with each loan. Testing the market for the a loan sale while working towards foreclosure would seem to be a prudent strategy.

The consensus from many bankers we speak with is that there is a heavy dose of reality to come, as more loans are trending into trouble. Establishing a good workout strategy will prove to be invaluable.

Bye, Sell, Hold, or Deny

Removing troubled assets from the portfolio has become a game of chess. Banks are aware of the impending discount and hit to capital that would result from large scale dispositions. All fear the current market pricing. Most are growing tired of the unfilled promise from the Government of some magical program that will remove problems without the sting of a bid / ask spread.

LoanSaleCorporation

Secondary Market Maker



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The reality is that most banks have at least a few pending issues to deal with in the portfolio. At some point these issues are going to have to be confronted.

It seems the majority of people in the industry are forecasting commercial real estate market conditions to worsen; confronting problems ***now*** may in fact prove to be a more profitable execution. We have not spoken to many banks that are adapting this strategy; something I find quite interesting.

However, we are finding that many banks are getting closer to being ready to manage their portfolio through secondary market dispositions. Many have expressed that within a few months they will want to dispose of loans via some sort of loan sale process. I suspect that in the Fourth Quarter we will see many new offerings. Selling problem loans earlier into the cycle allows a bank to free up man power and move back into banking. Again, selling into the ***current market*** may prove to be a more profitable execution.

21st century solutions

For the banks that embrace a disposition strategy involving today's technology, the work load is greatly reduced. The days of sending out a paper file, or even a CD, are history. The best place for transferring information today is online. Imaged files can be shared via secure Data Rooms with the click of the mouse. Large files can be loaded into these Data Rooms, eliminating the problem of email limitations on file transfers. These secure Data Rooms allow the seller to have control over the information as well as monitor the distribution of the information. This system can greatly increase the number of reviewing parties once it is set up; which will result in a better execution.

Providing a quality due diligence experience is paramount to the process of selling in today's marketplace. Increasing the quality of the file review process will speed up the entire selling process. Online file transfer and review allows the seller to greatly diminish the work load associated with the disposition. It also allows for the potential buyers to quickly gain a perspective on each asset.

We see very few banks that have embraced this technology. Most do not possess the system to easily transfer loan information to qualified buyers. All of the decent loan sale advisors use this technology (I can attest that this technology is a very good thing!).

Make the call

If you have loans you are considering selling; call us. We have buyers. We can get exposure to your loans quickly and cost efficiently. We are happy to work on a non exclusive basis so you can keep your internal efforts going concurrently to ours. You only have to sell if you like the pricing. We are not an auction or sealed bid seller. We work through a negotiated transaction process.

Our service is an excellent way to gauge current market value. Let LoanSaleCorp be a part of your workout and portfolio management efforts. You can reach me directly at 480.664.1919. I look forward to hearing from you.



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