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All is not lost in this time of changing parameters

November 19, 2007 - Financial Digest

In the last hour, Bernake again lowered the prime, but this time with a less aggressive reduction of only a quarter point. The Stock Market reacted badly at first, dropping its gain, but then reversed to the positive and now is within 100 points of toying with the 14,000 level mark. One thing we are becoming somewhat less temperamental with are the gyrations with the ups and downs of the market.

Likewise, the CMBS market and other lending institutions are, by circumstance, forcing us to become more comfortable with the volatility and with the changing of the underwriting standards being employed when loans are being evaluated, based on what the industry is learning when the Pools go to market.

*Debt service coverage mid- summer were as high as 1.25x, and while they bounce around a bit, it is pretty fair to say that they seem to be settling in around 1.15x at least in the CMBS world.

*Preserving capital proceeds is so critical in all of today's transactions, that are being negatively impacted by rising cap rates, that Borrowers need Brokers who can review, understand, know and study the underwriting of a particular Lender so that there is total confidence on each side about the numbers being used and how certain requirements can be reached while implementing among other things the utility of

*Cash Flow Sweeps

*Capping Reserves

*Funding Averaged Reserves to the Date of Cause

*Interest Only is again more available for about 1 in 3 loans and for up to 30% of the loan term. Sometimes more is available depending upon low Loan to Value Ratios and tenancy creditworthiness.

*Finally, and very importantly, recently there has been an exciting alternative to what has been a difficult problem that re-arose this past summer, the re-implementation of the MAC (material adverse change) clause.

The MAC clause typically states: The loan is additionally condition upon no material adverse change from the date hereof in the Mortgaged Property, the Principal of the ability of Borrower to service the Loan.

Recently, with the execution of either the Rate Lock Agreement, or some other alternative agreement, for a fee some Lenders are agreeing to delete the MAC clause from Documents. This is an excellent solution to calm Borrowers who were hurt this summer with spread increases and who in several cases lost proceeds,(if Lenders did not visit their underwriting debt service coverage

ratio).
This particular development, relative to the operation of document language, is important for prudent Borrowers to study, due to market volatility.

All is not lost in this time of changing parameters. For every action there comes a reaction and cleverness to keep the business moving in a positive direction is an asset that needs to be honed at this time.

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