

CREDIT CRUNCH



Unless you have been sleeping under a rock we will assume that you are familiar with the current credit crunch in the United States residential mortgage market. The recent turbulence in the global capital markets is changing the face of commercial real estate financing. The cyclical

nature of the financial markets is something we have come to expect and we offer a Mark Twain quote in which he said, "The past does not repeat itself, but it rhymes."

In early 2001 the Federal Reserve cut interest rates to invigorate the economy and the greatest housing boom of all-time ensued. This abundance of inexpensive debt spawned competition amongst lenders in which they were funding non-conforming loans in order to make it easier for home buyers to qualify and earn their fees. During this same time lenders also decided to start selling their loans to wall street in an effort to increase liquidity. This ability for banks to merely act as a conduit transferring risk onto the eventual buyer is the single biggest difference from the savings and loan crisis of the 1980's. The loose underwriting standards created by lenders allowed loans to fund that in retrospect should have never been made based on collateral and guarantor strength. Residential lenders and their loan buyers created a Pandora's Box that was bound to open at some time.

Around 2004 inflation concerns forced the Federal Reserve to begin increasing their rates. As interest rates began to rise and homeowners adjustable rate mortgages reset a large number of consumers found themselves unable to make their mortgage payments or get a new loan. As you find with a leaky faucet the problem was not recognized immediately because foreclosures and delinquencies were spread across a portfolio of \$3.4 trillion dollars. As the years passed and

the amount of foreclosures and credit losses mounted, you found wall street investors no longer wanting to purchase all of these loans. Unfortunately, many of the same investors on wall street that purchased these residential loans also purchased commercial loans and therein lies the link that bridges residential into the commercial arena. Enter today.

As stated, the commercial markets are feeling the pain of the residential sector. We have seen some of our preferred lenders fall to the way side as of late due to pressure from their residential arms, and we are seeing a large widening in credit spreads from almost all sources. These spreads and also the treasury rates are ultimately what determine your investment properties interest rate in a sale or refinance. Thankfully, the treasuries have been declining, which has helped compensate for the increase in the credit spreads, but that too may not last forever. All we can hope is that this is a temporary correction and equilibrium will soon return to the market with borrower friendly spreads and hopefully low treasury yields to boot. At this point, the market itself simply needs to close out the loans currently in the pipeline and fund the new round of loans at pricing that will appeal to the note buying market. Some new rules will most likely apply.

For the majority of the commercial mortgage market, solid underwriting guidelines regarding sponsor strength and asset worthiness coupled with increasing rents has led to low default rates and performing loan portfolios. These same lenders continue to fund and process loans in the marketplace much the same as they have for the last several years.

Commercial lenders are repositioning their underwriting guidelines to fit a more conservative framework that can prove successful well into the future. Loan-to-value (LTV) ratios and debt service coverage (DSC) requirements should tighten for all commercial loans and we should see a disappearance of high-risk creative lenders. As an owner this will force you to use a dash

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ACM IS NOW IN RENO

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CREDIT CRUNCH (CONTINUED FROM PAGE 1)

of reality when considering potential buyers or looking towards a refinance. Substantial equity along with a healthy balance sheet and local market management experience will most likely be required to qualify under these new rules.

Our goal at Access Commercial Mortgage has always been to deliver these quality loans to our investors and to our clients as well. We have been providing loans to property owners since 1998 with direct correspondence to the nation's most aggressive funding sources. Our national market presence allows us to offer loan programs that are not assessable to the general public.

Remember that transactions with quality fundamentals will continue to be funded in the marketplace and lenders will continue to crave these types of loans. There are still a large number of very healthy commercial lenders funding loans at much the same terms that have been present as of late. If you should have any questions, feel free to contact us. We look forward to working with you.



"I have worked with Devin and Andy on several projects and find them very professional and very easy to work with. They make finding money a pleasure. They are both gentleman and I am planning to use them for my next projects."

- Mel Phillips

CLOSED LOANS

Echo Mobile Home Park
73 Space Mobile Home Park
\$2,600,000

The subject loan was for the acquisition of a 6 acre mobile home park that was constructed in 1961. Loan funded at 75% LTV with a 5 year fixed which included 3 years of interest only.

Horizon Ridge Office
Single Tenant Office Condo
\$800,000

The subject was 7,560 square foot office condo that was built in 2005. Loan was a cash-out refinance that included a 5 year fixed rate with no prepayment penalty.

Cabana Apartments
100 Unit Apartment Complex
\$4,600,000

The loan was for the purchase of a garden style apartment complex. Property was built in 1963 and is situated on 4.8 acres. Financing provided for a 5 year fixed, interest only loan with a 30 year amortization and term.

Boulder Gibson Retail Center
Land Acquisition
\$5,982,000

Financing provided for the land acquisition of a 9.15 acre site. The property will eventually be constructed to provide a 100,000 square foot retail center. Loan was approved at 65% LTV and carried a 12 month interest only term.

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Our Loans

ACM provides both recourse and non-recourse loans for individuals and legal corporate entities. ACM's minimum loan is \$500,000 and our maximum is \$60,000,000. Loans must be secured by a first lien position and we require that clients have good credit.

ACM can offer variable rate loans as well as fixed terms ranging from 1 to 30 years with amortizations up to 40 years. Our pricing is always competitive and varies depending upon the US treasury market.

ACM can lend up to 80% LTV for most property types

dependent upon the verifiable cash flow of the property.

ACM does not charge up-front fees outside of deposits for 3rd party reports and/or rate locks. Our fees are only earned upon your satisfaction and successful closing of your loan.

ACM can issue a term sheet within 48 hours. Once executed, ACM will acquire formal pre-approval within 5 working days and is then positioned to lock your rate and order 3rd party reports. Once reports are complete we will issue the final loan commitment and prepare to close. ACM can typically close a loan between 25-45 days.

PROPERTY TYPES THAT ACM PROVIDES LOANS FOR:

- Multifamily
- Retail
- Office
- Industrial
- Self-Storage
- Mobile Home Parks
- Hotels
- Motels
- Raw Land
- Non-Performing Assets

"Andy and Devin are very dedicated, highly responsive, and give great advice when you need it. Their names are the dictionary words for 'prompt return calls'."

- Bill & Karolyn O'Brien

INTEREST RATES

SMALL APARTMENT LOANS

Adjustable	5.50%
3 Year ARM	6.18%
5 Year ARM	6.41%
7 Year ARM	6.66%
10 Year ARM	6.86%

\$500,000 - \$10,000,000

5+ Units, 15 Yr. Fixed Available

SMALL COMMERCIAL LOANS

Adjustable	6.53%
3 Year ARM	6.66%
5 Year ARM	6.66%
7 Year ARM	6.96%
10 Year ARM	7.00%

\$500,000 - \$10,000,000

Office, Industrial, Retail, Self-Storage, Owner Occupied, Mobile Home Parks

LARGE INSTITUTIONAL LOANS

Multi-family	6.25%
Office	6.30%
Industrial	6.30%
Retail	6.30%
Self-Storage	6.30%

\$1,000,000 - \$100,000,000

Non Recourse Available

COMMERCIAL BRIDGE LOANS

Interest Rate	10-15%
Term	12-24 months

Structured finance for loans that do not qualify for permanent financing inquire with us directly.

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ACM now has an office in Reno
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Even grumpy old guys like us



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**The next time you need a commercial loan call us:
 702.434.0829**