COMMERCIAL NOTE BUYERS BACK OFF
WHILE CASINO LENDING INCREASES

CMBS lenders are tightening up loan parameters as B-note buyers, bond investors and ratings agencies put on the brakes with interest rate spreads widening. B-note buyers will be pickier about the notes they buy and will spend more time kicking questionable loans out of CMBS packages. Conduit lenders will have to take back loans booted from the packages thus tightening up underwriting standards. The main concern has been the growth of interest-only loan approvals.

In the same area we have a variety of financing from banks, investment bankers, foreign companies and private lenders move into the gambling house. Bank of America leads the stakes and has a $4 Billion dollar outstanding casino loan portfolio. Financing the casino world is different than for most other property types. The amount of debt that can be available for a project is not based upon the traditional LTC or LTV, but upon a multiple of cash flow. An example is a $200 million dollar loan might be underwritten to five times cash flow. Most loans are LIBOR-based with an average spread of 1.5% to 2.5% range.