COMMERCIAL LENDING IS SEEING NEW LOAN PROGRAMS

Fannie Mae and Freddie Mac have new or enhanced products. The flow of capital into a market awash in cash has caused lenders to examine the classic strategy ingredients of pricing, product and process. Larger lenders have tried their best to become a one-stop shop, adding programs or acquiring competitors who can give them instant expertise in a new area while giving borrowers more options.

Fannie Mae introduced a new program allowing borrowers to substitute properties. The program allows portfolio players to substitute a property as collateral for a Fannie Mae loan so the original property can be sold. The new twist for the government-sponsored entity is a modified mezzanine program that is aimed at current value-added program. The new program, called Moderate Rehabilitation, matches the existing Designated Underwriting and Servicing platform with a mezzanine component that behaves like a traditional construction loan. The mezzanine is there for rehab of $5,000 to $7,000 per unit, with funds being released as the work is done. The borrower will not pay on the mezzanine until the funds are released. Normal mezzanine providers charge from the time the loan is done. The loan is locked out in the first year and steps down in preceding years, until the fifth year when it can be paid off at par. Freddie Mac has a similar product.

Other areas of interest to commercial lenders are Office/R&D's and CDO's (Collateralized debt obligations). Office lenders such as Lehman Brothers, RBC Capital Markets and RBS Greenwich Capital are big on the Southeast, which is expected to see strong job growth in the next few years. Commercial real estate remains the darling of investors. The CDO play for commercial real estate will keep the markets liquid and should fend off a major credit crunch that borrowers worry about.