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Besen & Associates 2012 Special Assets Report

August 27, 2012 - New York City

2011 was a record year for Besen & Associates Special Assets Group while investor's insatiable appetite for small balance residential and commercial whole loans continued to explode throughout the year and kept the phones ringing off the hook. The first half of 2012 and the beginning of the 3rd quarter has experienced the same increase in trade activity while the small balance debt space continue to grow exponentially. The first half of 2012 has been marked by larger transaction volume and individual deal size by unpaid balance (UPB), and there appears to be even more investors looking for deals and more deals successfully trading.

The bulk of opportunities will continue to come from community and regional banks that typically hold a higher percentage of non-performing loans (NPL) on their books. Even though many lenders throughout the New York metro area have only sold a small percentage of their loans and improved their earnings, they will continue to trade loans to clean up balance sheets.

A quick look at the CRE loans on the balance sheets of small US banks is indicative that CRE loan sale activity to the secondary market will continue. Banks must continue to contend with loans and unfortunately most of them at an elevated level. Typically, the smaller the bank the greater level of CRE exposure they have.

Community and regional banks that made thousands of small balance loans for construction, development or the acquisition of small assets throughout the N.Y. metro area now make up a significant part of the CRE downturn and bank's distressed loan portfolios.

Trepp LLC, Deutsche Bank, Morgan Stanley and others have estimated CRE maturities to be in the range of $800 billion to $1.2 trillion over the next five years. Analysts estimate up to one-third of the maturing loans cannot be refinanced because values are at or below the loan amount. This leaves lenders with the option to foreclose, restructure or trade which is obviously good news for investors. Lenders will be forced to dispose of notes of all performance classes secured by all asset types throughout the N.Y. metro area.

The 2011 CRE market was one of the most active of all time and the first half of 2012 continues with the strong momentum, with about 75% of our investors who look to acquire loans actually completing acquisitions. Our process of disposing of loans on behalf of financial institutions via negotiated transactions, or our proprietary competitive bid process has made Besen & Associates the preeminent small balance loan sale advisory firm in the N.Y. metro area.

Lenders will continue to retain the assistance of expert intermediaries as they have the ability to navigate through the complexities of loan transactions on their behalf which results in a quick and efficient trade at better returns. Besen is currently marketing approximately $150 million UPB of small balance residential and commercial mortgage loan on behalf of community and regional banks throughout N.Y. and N.J.

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