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Eastern Union launches Pooled Loan division

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Brooklyn, NY Eastern Union, a leading commercial real estate finance firms, has launched a Pooled Loan division that will deliver below-market interest rates for borrowers. Borrowers will be rewarded with the discounted rates by pooling multiple loans–and approaching lenders as a group when seeking financing.

Lenders will offer lower rates to these pooled borrowers because of the savings and efficiencies these lenders will reap by processing multiple loans for a cluster of similar properties all at the same time.

Aside from a reduction in interest rates that a bank will offer for a large cluster of loans, savings also arise primarily because a bank or other lenders will be using the same, single team of third-party professionals—attorneys, appraisers and others—to service a single pool of between ten and thirty loans, instead of having to repeatedly deploy team members to painstakingly handle each loan on an individual basis.

“Until now, lenders would close their transactions with borrowers on a one-loan-at-a-time basis,” said Eastern Union founder and president Ira Zlotowitz. “Eastern Union’s new Pooled Loan division revolutionizes this conventional model by injecting substantial new efficiencies into the process. As a result, both lenders and borrowers benefit.”

Using artificial intelligence combined with the resources of QTS, Eastern Union’s in-house banking department, Zlotowitz said that the Pooled Loan division will identify similar types of properties that can be “pooled’ into a suitable cluster of deals. For illustration, a pooled asset category may consist entirely of garden apartment properties with between ten and 50 units, all located within the same geographical area, and all with existing mortgages maturing at the same time.

Eastern Union’s Pooled Loan division is aiming to bundle up to four such separate loan clusters valued at a total of roughly $250 million each. In return for the new efficiencies engendered through group purchasing, Zlotowitz estimates that lenders will lower their interest rates by between one-eighth and one-quarter of a percentage point.

Zlotowitz said that the Pooled Loan initiative is targeting two categories of lenders: The first category is banks, which commonly finance properties like this but hardly ever lend to such a large cluster of them at once. Because the Pooled Loan division would be bringing numerous loans with a large collective value to the table all at once, however, banks can be expected to offer lower interest rates to all of the pooled borrowers.

The second targeted category of lender will be pension funds and other lending institutions that commonly make “one large check” investments of this scale. They rarely invest in this type of property, however, given the relatively low value of each individual loan. Eastern Union’s pooled borrowers would benefit from the favorable pricing offered by this category of lender.

“Lenders will have the chance to streamline their traditional approach by closing ten or fifteen transactions -- with a total value of a quarter-billion dollars -- all as part of a single loan,” said Zlotowitz. “In return for this new efficiency, lenders will offer the pooled borrowers lower rates.”

Eastern Union expects to place the first round of clustered loans by the second half of 2020.