

The ITC Commercial Commitment Letter

Third Quarter 2007

Welcome to our Newsletter

Brokers Competing with Banks

Brokers who come to our one day classes entitled, "Originating Commercial Mortgages, the Opportunity is Now" ask the question, "How can I compete with the Banks when my client needs a Commercial Mortgage Loan?" Obviously, if the client has good credit and income and/or the subject collateral property has sufficient lease income of its own, offering your client a bank rate or better is not an issue. The commercial conduits and insurance companies are available offering conduit pricing utilizing the 10 year treasury as an index plus a margin from 1.10 to 2.00 with terms fixed over 5 to 10 years+, amortized over 25 to 30 years are a much better choice than the typical bank loan priced at "Wall Street Journal Prime Rate" (currently 8.25% plus a margin in most cases). The conduits and insurance company rates are in the 6% range fixed for 5 to 10 years.

The negatives with a conduit loan involve a substantial prepayment penalty (defeasance) if loan is prepaid prior to maturity. Prepayment is allowed in many cases during the final 6 months of the loan term without penalty and the loans are assumable, non-recourse in some situations. The difference between conduit rates and bank rates can be as much as 2% or more with conduit pricing based on the 10 year treasury plus a spread which varies depending on the collateral property. Bankers aren't that aggressive most days which provides opportunities and financial rewards within the mortgage broker ranks. Compensation is obtained with broker points and yield spread earned on each transaction.

You can remain in the Stated Income, Stated Asset Business with Appraisals being reviewed twice with reductions in value after each review by the lender who chose the appraiser or you can decide to join the Real World of Commercial Mortgage Lending!

The Choice is Yours, Let's Talk About it Today!

Many of our commercial loans are submitted by residential mortgage brokers. We offer training to their employees at no charge other than their promise to send commercial mortgage clients our way and share in the fees. Would you like to become part of the **ITC Commercial Funding Broker Network** and receive free educational seminars from our commercial book published in 2003, "Originating Commercial Mortgages, the Opportunity is NOW!!!" If so, give Delaine Gay a call today at **866-651-6218** or e-mail dgay@itchold.com.

CONTACT INFORMATION

ITC Commercial Funding
Ken Gatlin or Adam Byrd

kgatlin@itchold.com
abyrd@itchold.com
dgay@itchold.com

Send us an e-mail if you would like a copy of our application and mortgage programs.

Let's Walk Through the Garden Again

It is one of the most beautiful compensations of this life that no man can sincerely try to help another without helping himself. Ralph Waldo Emerson

The story is told of a public speaker who taught creative ways to buy real estate. One of his first graduates, a policeman named Roy, used his ideas in a most touching way.

Years before Roy attended the course, he had established the habit of dropping in on an elderly gentleman while making his regular rounds. The gentleman lived in a breathtaking 5,000-square-foot mansion overlooking a ravine. The older man had lived there most of his life and cherished the view.

When Roy would check in on him, twice a week, the old man would offer him tea and they would stroll through the garden. One such visit was sad. The older man tearfully admitted that his health was failing and he had to sell his beautiful home and move into a nursing home.

By this time, Roy had taken the course and came up with the crazy idea that he might be able to use the creativity of the course to figure out how to buy this mansion.

The man wanted \$500,000 for his home, which had no mortgage. Roy had only \$5,000 in savings. Roy was paying \$800 in rent at the time and he had a reasonable policeman's salary. It seemed insurmountable to come up with a plan to create a deal between the man and the hopeful policeman...insurmountable until you take into account the power of love.

Roy remembered the words from the course – **to find out what the vendor truly wants and give it to him.** After delving as deeply as he could, Roy finally found the key. What the man was going to miss the most was walking through his garden.

Roy blurted out: "If you let me buy your house, somehow, I promise to pick you up one or two Sundays a month, bring you back here to your garden and let you sit here and stroll around it with me, like old times."

The old man smiled in wonder and love. The old man told Roy to write up whatever offer seemed fair and he'd sign it. Roy offered all he could afford. The purchase price was \$500,000. The down payment was \$5,000. The vendor took a \$495,000 first mortgage bearing interest at \$800 a month. The old man was so happy that, as a present, he let Roy have all the antique furniture in the house.

As amazed as Roy was at his incredible financial victory, the real winner was the happy old man and the relationship that the two of them shared.

Adapted from *Chicken Soup for the Soul*

The following list of funded Commercial mortgage transactions were referred by mortgage companies, real estate professionals and accountants:

- Griffin, Georgia
\$1,500,000 (Mini-storage units)
- Opelika, Alabama
\$2,000,000 (Commercial Land Site)
- McDonough, Georgia
\$1,800,000 (RV Center)
- Atlanta, Georgia
\$200,000 (Warehouse)

Minimum Loan Size \$100,000

MAXIMIZE
Your Client Relationship!!
Ask about our Referral Program

1-866-651-6218

ALWAYS...PUT A SMILE IN YOUR VOICE

HELLO!

LAST SATURDAY MORNING I called a local grocery deli department to order some club sandwiches. Though I was a paying customer, about \$50 worth, I could tell right away the person on the other end was not happy to receive my business...it was very evident in her voice.

MY VERY NEXT CALL was to an outlet store located about 5 hours from my home. I needed to return an item that I had purchased during a weekend trip. This time the transaction would mean money returned to me instead of a profit for the merchant, but the experience was much more pleasant. Why? It was all in the tone of voice on the other end of the line; this time it was very courteous.

YEARS AGO I had the opportunity to tour a check printing plant. All the customer service rep stations were lined with mirrors. What an incentive to add the smile to your voice! In today's market where we conduct a large percentage of business by phone, we will do well to remember...

The Golden Rule (with a slight twist), "Speak unto others as you would have them speak unto you."

Educational Column Definitions Worth Knowing:

- **Depreciation** - The amount by which an asset's accounting or book value is periodically reduced to reflect the fact that the economic value of the asset is steadily reduced by a combination of wear and tear from use, age, etc.
- **Loan-to-Value (LTV) Ratio** - This term refers to a credit analysis ratio that measures collateral property coverage. To calculate the LTV, the total amount of the mortgage against collateral property is divided by the appraised value of collateral property. Example: if the total collateral property value is \$1,000,000 and the total amount of mortgage is \$800,000, the LTV is 0.80 or 80 percent.
- **Tangible Net Worth** - Term used to describe the amount of owner's or stockholder's equity after deduction of intangible assets.

Commitment

Jason, a young man of 13 years, walked into a neighborhood pharmacy and asked to use the phone. The owner gave his permission and Jason dialed the number of Mr. Frank Jones, a local banker. When Mr. Jones answered, Jason proceeded to explain that he was trying to earn money during the summer months and was wondering if he needed his lawn mowed. Mr. Jones said he already had a young man working for him.

Jason asked if the other boy was doing a good job, because he thought he could do a better job. Mr. Jones said his helper was doing a great job but if Jason would leave his name and number he would contact him if he needed him in the future. "Ah, that's okay, thanks anyway" was Jason's reply as he hung up the phone.

The pharmacist couldn't help but overhear the conversation and told Jason that he could use him there in his store. "No thanks, I already have a job. I cut lawns during the summer. In fact, I cut Mr. Jones' yard...I was just checking up on myself."

Committed to doing your very best...an attribute that starts at an early age and last a lifetime!