

LESSON TWO: REAL ESTATE “WHOLE LOAN” FINANCING CONTINUUM: THE LENDERS

1.1 REAL ESTATE RISK

Real estate risk can be viewed on a continuum, going from left (least risky) to right (most risk).

1. Life insurance companies: Generally the most conservative underwriters.
2. Banks: Includes local banks (community banks), regional banks and money center banks. Note: most banks will no longer portfolio 10 year loans.
3. Conduit lenders: Also known as securitized lenders. These lenders aggregate loans and then repackage them as rated bonds or securities.
4. Opportunistic lenders: Typically lenders who hold whole loans on a balance sheet. Can include opportunity funds, finance companies, mezzanine lenders and mortgage REITs.
5. Equity investors: Has the “first loss piece” of the transaction, but also has an uncapped upside.

