



The Loan Sale Advisor

Spring 2006

Best Practices in Active Portfolio Management

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Interest Grows in DXMarkSM CRE Portfolio Valuations Top \$100 Billion in 2005

Using DXMark, the industry's first objective valuation model for Commercial Real Estate loan portfolios, DebtX valued a record \$100 billion in CRE loans last year.

Launched in 2003, DXMark provides financial institutions with an objective assessment of their CRE loan portfolio values based on actual trade data from secondary loan sales at www.debtX.com.

During 2005, DebtX prepared CRE loan portfolio valuations for several large financial institutions, including Freddie Mac and the Federal Home Loan Bank of Boston. The value of the assets comprising those portfolios topped \$100 Billion.

Providing Versatile Solutions

Client feedback shows that DXMark has helped institutions do the following:

- ADDRESS INCREASING CURRENT REGULATORY OVERSIGHT IN CRE LENDING. DXMark has helped institutions demonstrate greater pricing transparency and liquidity for a CRE loan portfolio. Additionally, as regulators seek to curb risky commercial real estate lending practices through more stringent guidelines, CRE lenders will be challenged to address transparency and liquidity requirements. DXMark can help institutions meet these challenges.
- SUPPLEMENT INTERNAL VALUATION MODELS. Clients have used DXMark portfolio pricing results to validate proprietary pricing models for CRE loan portfolios. This is particularly valuable to

GMACCM Leverages the Power of DebtX

In the last quarter of 2005, GMACCM approached DebtX to market and sell a \$76.8 million commercial real estate and franchise loan portfolio. The sale, which attracted a wide number of prospective bidders, exceeded GMACCM's previous high bids by almost 20%.

"DebtX did a commendable job of marketing these assets to buyers who we could not effectively reach."

"We were pleasantly surprised with the entire execution of the transaction and the price obtained in selling the loans through DebtX on the secondary market," said Mark McCool, a Managing Director with GMACCM.

GMACCM engaged DebtX to sell 16 pools of loans that it couldn't dispose of at an acceptable price or in a satisfactory timeframe. The loans, which were secured by gas stations, convenience stores, and franchise restaurants across the country, were part of a residual portfolio that GMACCM retained after exiting the business in December 2004.

"DebtX did a commendable job of marketing these assets to buyers who we could not effectively reach," McCool said. "DebtX took the time to understand the nuances of the assets and facilitated the underwriting process. The transaction was well-managed all the way around."



The Deal Book

Highlighted transactions recently completed by DebtX

Seller: Government Agency

Assets: A \$186 million portfolio of primarily non-performing CRE. The 23 loans were divided into seven geographically based pools. The loans were secured by first liens on multifamily and healthcare properties, including assisted living, congregate care and nursing homes. The loans were sold servicing-released, and bidders were able to make offers on individual loans and fixed loan pools.

Results: DebtX executed a broad marketing campaign to prospective investors that included targeted industry-related advertising, 3,300 emails and 500 telephone calls.

Notable: Two hundred bidders were qualified by the agency to receive Bidder Information Packages. DebtX received 119 bids from 25 investors. The offers included 98 individual loan bids from 23 investors, and 21 pool bids from nine investors. The winning bids generated 79.95% of Unpaid Principal Balance and generated \$148.7 million in gross proceeds for the agency. The price exceeded its hold value by \$61.8 million before transaction expenses.

Seller: Investment Bank

Asset: A single, newly originated performing CRE loan with a \$3.7 million principal balance. The loan had a 6.34% interest rate and a maturity date of April 15, 2015. The loan was secured by a first lien on a 100% occupied anchored neighborhood shopping center in Michigan.

Results: DebtX's targeted marketing campaign included 300 phone calls and 1,900 emails to accredited buyers. Seventy-six entities review the deal, 48 performed summary due diligence, and seven conducted full due diligence.

Notable: The portfolio sold above the reserve price set by the Seller.

Seller: Regional Bank

Assets: \$67 million in mixed-performance CRE and C&I loans. There were 25 individual offerings and 3 pools with assets located in New York, Michigan, Ohio, and Illinois. The loans were secured by varied collateral, including vacant land, business assets, industrial, multifamily, and other CRE.


Results: DebtX received exceptionally strong investor participation, with more than 124 bids submitted from 34 entities. DebtX's marketing campaign included 400 phone calls and 2,500 emails to accredited buyers.

Notable: Each of the assets received multiple bids. The loans were sold to 13 different entities. In aggregate, the pools sold at a price that exceeded the Seller's expected price by 11%, resulting in excess proceeds of \$3.8 million.

Seller: Community Bank

Asset: A restructured, \$2.15 million loan performing per the terms of a Second Modification Agreement. The loan carried a 9.0% fixed interest rate and a June 30, 2008 maturity date. A fire in 2001 severely impacted the debtor's ability to repay the credit. The borrower filed for Chapter 11 Bankruptcy and a First Amended Plan of Reorganization was confirmed in December 2001. The loan was secured by a first lien on a California fruit farm and its related business assets, including equipment, crops and accounts receivable.

Results: DebtX executed a broad marketing campaign that included 1,700 emails and 300 telephone calls to prospective investors.

Notable: Seven bids were received, and the winning offer exceeded the Seller's expected price by 20%. 

DXMark


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executives responsible for ensuring the accuracy of financial information disclosed on a quarterly basis.

■ **ENGAGE IN ACTIVE PORTFOLIO MANAGEMENT.** DXMark has helped institutions analyze and quantify key aspects of CRE loan portfolio risk such as asset class concentration and geographic concentration. This information has helped finance executives engage in active portfolio management, including non-strategic asset sales.

“DXMark has quickly become a valuable industry resource because it helps institutions make better lending decisions and improves the overall management of commercial real estate loan portfolios,” said DebtX Managing Director Karen Diane Johnson.

“Government regulators, corporate boards, auditors and portfolio managers increasingly value an objective, third-party perspective for CRE loan valuations,” Johnson said. “DXMark can deliver those valuations which help institutions better identify and mitigate balance sheet risk.”

FOR MORE INFORMATION ABOUT DXMARK, CONTACT KAREN DIANE JOHNSON, MANAGING DIRECTOR, AT [KJOHNSON@DEBTX.COM](mailto:kjohnson@debtX.com) OR 617.531.3432. 

GMACCM

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Challenges and Solutions

One of the key challenges in the transaction was creating a complete set of documents, said Executive Vice President Bill Looney, who worked on the transaction. DebtX worked closely with GMACCM to assemble the necessary information to help buyers make an accurate assessment of value.

“While this portfolio had acceptable performance, only value buyers were interested in the assets because of the limited appeal of franchise loans to many investors,” Looney said. “The sale succeeded because DebtX was able to price the assets correctly and provide an effective alternative to the traditional sales and marketing process by leveraging its global network of investors.”

BILL LOONEY CAN BE REACHED AT 617-531-3402 OR BY EMAIL AT [WLOONEY@DEBTX.COM](mailto:wlooney@debtX.com). 

DXSyndicate™ Gains

Syndication professionals are increasingly adopting DXSyndicate, a secure, Web-based front office platform that helps syndication professionals improve profitability and deal flow. A number of major financial institutions are using the platform for book running and long-term deal tracking and operational management. The platform integrates document distribution, investor communication, tracking and surveillance, and contact management capabilities in a single system.

“Syndication professionals need the ability to leverage the expertise and intellectual capital of their team members at all times, from anywhere,” said DebtX Managing Director Bill Jakubowski. “With its unique bulk document upload feature and the ability to draw from an institution’s dedicated investor database or a global investor pool, DXSyndicate allows professionals to launch and track a deal in minutes. As a professionally hosted and secure Web application, an institution’s knowledge and collective experience may be accessed by authorized team members without incurring the significant up-front investment and ongoing maintenance of hardware associated with client-server systems.”

DXSyndicate is being used for corporate and real estate syndications, both in the book running and agency phases. DXSyndicate is part of the DXOpen product suite, which has been used successfully by more than 200 institutions over the past five years. DXOpen products have been audited and approved by the IT security groups of some of the world’s largest banks and other financial institutions.

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DebtX In Brief

DebtX Expands Team

DebtX has hired a number of trading, sales and operations professionals to help meet the growing needs of our clients.

The new employees include:

- Thomas Doughty, Director of Sales. Doughty has extensive experience working with leasing and financial services companies. Prior to joining DebtX, Doughty worked for Citicorp for 18 years, most recently as Senior Vice President of Sales. He focused on utility, transportation and industrial companies, as well as foreign subsidiaries of multinational corporations. Earlier in his career, Doughty worked for General Equipment Leasing Co. and Borg Warner Acceptance Corp. Doughty has an MBA and Bachelor of Science degree in Accounting, both from Ball State.

- David Roover, Director of Product Development. Roover has 12 years of product development experience for financial services and technology companies. Prior to joining DebtX, he was Vice President with First Marblehead in Boston. Earlier in his career, he worked for Lewtan Technologies, State Street, Fannie Mae, Midland Loan Services and KPMG Peat Marwick. Roover has an MBA from Georgetown University and a Bachelor of Arts degree from Tufts University

- Kenneth Daley, Vice President of Trading. Daley has 19 years of commercial banking experience. Prior to joining DebtX, Daley worked for Citizens Bank. Earlier in his career, he worked

Upcoming Events

DebtX will attend the following conferences:

MBA's Commercial Asset Administration & Technology Conference

May 16-19, 2006 Phoenix, AZ

10th Annual Summit on Global ABS

June 12-15, 2006 Barcelona, Spain

CMSA Twelfth Annual Convention

June 12-14, 2006 New York, NY

RMA Annual Risk Management Conference

October 21-24, 2006 Chicago, IL

with Bank of New England, MultiBank, Fleet and USTrust/Citizens Bank. Daley is also an Adjunct Professor with Suffolk University's Sawyer Graduate School of Management. Daley received an MBA from Suffolk University and a Bachelor of Arts degree from Saint Anselm College.

- Reeves Ambrecht, Assistant Vice President, Trading. Ambrecht has five years of experience and is focused on selling and trading domestic loans to secondary market investors. Prior to joining DebtX, Ambrecht worked as a commercial real estate broker for Cushman & Wakefield and Jones Lang LaSalle Americas, Inc. Ambrecht has a Bachelor of Arts degree in Political Science and Communications from Lake Forest College. Ambrecht is a licensed real estate broker in New York and Connecticut. ☒