
A10 Provides Financing for Purchase of Defaulted Apartment Loan

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Published
Registered
Monday, 08 June 2009
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Commercial Real Estate Direct Staff Report

A10 Capital has provided financing to facilitate the acquisition of a distressed multifamily loan.

The Boise, Idaho, lender and asset manager [recently raised some \\$100 million of capital](#) from an institutional partner and a number of high net-worth investors in order to provide financing for commercial properties and loans. In its latest investment, it provided \$4.6 million to an investor, which it only described as an opportunity fund, for its \$10 million purchase of a loan that had an unpaid balance of \$22 million.

A10 would not disclose details of the property, but confirmed that its mortgage had defaulted primarily because it was overleveraged. In addition, its collateral had suffered from operational issues that resulted in a degradation of net cash flow. Those issues have since been addressed and the collateral is now 85 percent leased.

According to Jerry Dunn, founder and chief executive of A10, the company generally provides what could best be described as bridge financing. "We provide the investor with enough time to execute their plan," he said. "We're right between a conventional funding source and a hard-money source."

A10's debt capital usually has a term of one to two years, but could be longer depending on the business plan established for the asset that it's financing. It generally prefers to provide financing of \$2 million to \$7 million per asset. And it will finance, on a non-recourse basis, the acquisition of loans on the four major property sectors: apartments, office, retail and industrial.

A10 started offering financing to buyers of distressed loans three months ago, and Dunn said it has already accumulated a "significant pipeline of transactions." That's not a surprise, given that the FDIC has been a steady seller of loans from failed banks. During the first quarter alone, it sold [\\$1.1 billion of commercial mortgages on a whole-loan basis](#). And it sold those loans to 93 investors.

Because its loans are non-recourse, A10 requires that its borrowers have an established track record of working out troubled loans. It also underwrites the property securing the loan it is financing and evaluates the existing debt. Its financing allows loan investors to leverage their investments' projected returns and their investment capacity.

A10 worked "elbow-to-elbow with the opportunity fund to assist them in due diligence and the closing of this complex transaction on the required timeline," Dunn said. It funded its loan in three weeks.

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