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Commercial Corp Finance,
D/B/A of Gary Meyers Realty, Inc., founded 1977.
Provides Real Estate Consulting and Lending Service.

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THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

When Your Commercial Loan Goes To Workout

When their loan goes to the workout department of a bank—too often borrowers think it is business as usual. They are wrong, because their world has changed.

Too often borrowers are not aware of the difference and cannot understand why their own workout efforts don't go anywhere. The differences between lenders and workout people come from many areas, including regulators and orders that limit bank flexibility. Some banks have confusion within as to when, where and how workouts should be done.

"From an institutional, procedural and staffing perspective, banks are more set-up to make new loans," said Jeffrey Taylor, former chairman and CEO of Cole-Taylor Bank. "Getting a good settlement from your bank is completely different from getting a new loan."

Workout teams at most banks have a completely different temperament than your favorite lender. "Workouts involve fewer people, often with a limited ability or mindset to creatively restructure the loan in a fashion that creatively preserves the equity in the property and the borrower's position," said Taylor, chairman of Commercial Corp Finance (CCF). "Remember, their first objective is to get the loan off of their books. We help banks and borrowers."

Borrowers need to be aware that in the workout process there is a separation of interest between the borrower and the bank. The bank wants out.

As a borrower, you need to get over the fact that the bank is not going to stick with you. Once you go to the workout section, focus all your efforts on finding funds to buy your way out, preferably at a discount.

"We urge our clients to focus on repaying their bank and working with a new provider of funds from sources which are more entrepreneurial and have a mindset to create value," said Taylor.

The bottom line. Too often borrowers who are in trouble are unwilling to change their tactics, even when presented with viable courses of action. They stubbornly hold a steadfast course and wonder why 90 or 120 days go by with nothing changed, except they are closer to foreclosure. Prosperity can come from a bad situation, particularly if the bank has troubles of its own. But, do not expect to do it alone.

THE MEYERS REPORT Economic Notes

Commercial Real Estate Lending

SBA 504 Program Changes By the end of September of this year, the SBA will no longer be accepting "refinances" in their SBA 504 program. However, they can be used for purchases, expansion and construction. These loans are very attractive, because they require only 10% equity, have 20-year terms and amortization schedules. Currently they have an interest rate of 4.22%. These loans also can be used for equipment acquisitions.

Commercial Mortgage Rates and Terms

Property	Type	Rate	Term	Amort.	LTV	Liability
M-F	Perm.	3.10%	35yrs.	35yrs.	83%	Non-recourse
M-F	Const./Perm.	3.35%	40yrs.	40yrs.	90%	Non-recourse
Office	Perm.	4.5-5.0%	10-15yrs.	25-30yrs.	75%	Non-recourse
Owner-Occ.	Perm.	4.22%	20yrs.	20yrs.	90%	Pers. Guaranty
Distressed	Interim	8-15%	3yrs.	I.O.	70-95%	Pers. Guaranty & non-recourse

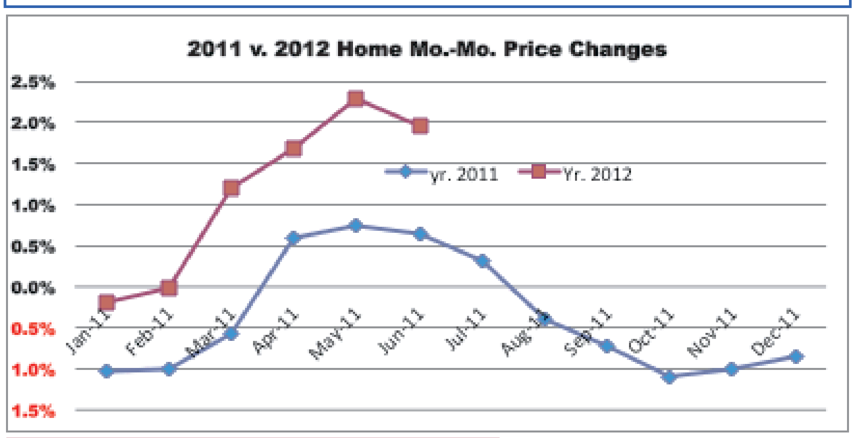
HUMOR

Signs

...On a fence, "Salesmen welcome. Dog food is expensive."

...In a nonsmoking area, "If we see you smoking, we will assume you are on fire and take appropriate action."

...At an optometrist's office, "If you don't see what you're looking for, you've come to the right place."



Source: CoreLogic
Graphic/analysis: The Meyers Report

Housing Market

Home Mortgage Rates for a 30-year fixed loan are running at 3.375% from reliable mortgage brokers and about a ½ point higher at major banks. Brokers are offering 15-year fixed loans at 2.72%, while major banks are about ¼ percent higher. Banks also are charging fees that are about $500 higher. These rates are based on 0-1 point.

US Home Values Rise for non-distressed housing, the fourth consecutive month. According to San Francisco-based CoreLogic prices on a month-to-month basis were up 2.0% in June, vs. a 2.5% rise in May. While four months of increases look good, there is likely a seasonality that could forecast a decline. This is especially true as other signs point to a weakening. Remember, home sales recorded for June actually were contracts written in February, March and April.

Case in point ...

"When I first went to CCF, it seemed that the world was collapsing. We had law suits coming and going, producing nothing but a cash-drain. We were running out of money and winning nothing. Everything seemed hopeless. Five hours after meeting these people, I knew there was a G-d."

K. B., widow who inherited defunct auto dealership

Challenges: Foreclosure & Mortgage Deficiency; Bad Lease; Excessive Real Estate Commission Liability; Unfunded Benefits Liability; Civil RICO Complaint; Ineffective Attorney; Running Out of Cash; Bankruptcy.

CCF Action: Mortgage Financing; Market Analysis of Real Estate Value & Use; Land Use & Land Entitlement Law; Knowledge of Real Estate Lease & Economics; Banking Regulations & Law; Bankruptcy Law; Civil & Criminal RICO Prosecution; Labor Law & Negotiation; Automotive Dealership Law; Media Use for Maximum Coverage.

Conclusion: In 29 business days CCF: stopped foreclosure; removed need for bankruptcy; structured deal with the bank; removed real estate brokerage commission liabilities; positioned bank to come out whole with no write-offs, pending the outcome of continued civil RICO prosecution; stopped lawsuit by labor union forever; found alternative funding source to prosecute civil RICO suit; stopped client's legal fees.

Bottom Line:
Call CCF 224-715-5555.
Chicago, IL

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.69	neutral
Equities: S&P 500	2000	1403	neutral
Equities: Dow Jones	16,000	13,165	neutral

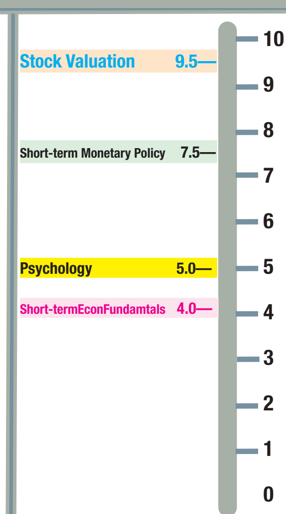
The pattern of slightly better economic news should continue this coming week. However, given the erratic behavior of financial markets, I'm maintaining a neutral stance regarding both stocks and long-term interest rates.

Market Outlook Stocks reversed direction once again this past week as the major indexes gained 2%-4%. The Dow gained 2% while the small cap Russell 2000 (IWM) was up 4%. The overall market gained 3%.

Technical indicators remain mixed. On the positive side, all major indexes are above their 10-day averages and the 10-day averages are above the 50-day averages. More often than not, this formation leads to further gains.

Less encouraging is the roller coaster pattern of sharp increases followed by equally sharp declines. In recent weeks the overall market fell below a line of support, then reversed direction and rose above a line of resistance.

Fundamentals related to the outlook are also disturbing. A highly erratic monetary policy, the potential for higher tax rates and the failure to contain government spending threaten the outlook both here and abroad. Given these factors, I'll retain a neutral equity position.



Ratings for	10 is best
forces	— means no change
impacting	> change for better
stocks	< the other direction

Long-term interest rates moved higher this past week with the yield on 10-year Treasury Notes approaching 1.7%. Gains in both stocks and interest rates were a response to better than expected economic reports. In spite of the potential for additional positive news this coming week, the tendency for erratic reversals in financial markets makes the establishment of any trend highly suspect.