

Last Updated: October 23, 2015

## Multifamily Borrower Snags High LTV, Low Rate

By [Kelsi Maree Borland](#) | Los Angeles

LOS ANGELES—After an appraisal came in lower than expected, an unnamed **multifamily** owner scored a 3.5% interest rate on a loan to pay off existing acquisition financing, GlobeSt.com learns exclusively. The borrower secured an \$18.3 million loan at an 80% LTV, which was higher than expected due to the appraisal.



The borrowers came to **Quantum Capital** seeking a 75% LTV floating-rate loan to facilitate a major renovation to the asset and return some of their equity, according to **Mike Yim**, a managing director at Quantum who secured the funds on behalf of the borrower. “At the time of refinance, there were five vacant units that were under renovation and not generating any

cash flow. Most lenders underwrite their multifamily loans to an interest rate of 4.25%, 30 years of amortization, and DCR of 1.20 based on the in-place income, “ Yim tells GlobeSt.com. “We needed to identify a lender that understood the market and appreciated our client’s successful track record. So we tapped on one of our long-standing capital sources to finance the property, and they underwrote the loan based on stabilized market rents using a 3.50% rate on interest only payments. This methodology of underwriting significantly increased the loan proceeds for our borrowers. Additionally, the lender did not holdback any proceeds for renovation costs and funded the entire \$18.3M at closing.”

Although there were definitely some challenges to this deal, Quantum was able to close the transaction in 40 days and received ample interest from potential lenders. “Due to the location and the strong sponsorship, there were many lenders interested in the deal,” Yim says. “But no lender came close to offering the leverage, rate, interest only period, and no holdback/full funding at closing that we were able to achieve with our relationship lender.” The name of the lender was not disclosed.

The West Hollywood property has 42 two-bed, two-bath units ranging in size from 800 to 1,785 square feet. Additionally, the property has 11 affordable units. These high LTV loans are becoming more and more normal—for the right borrowers. “We happened to have an extremely sophisticated borrower with over 25+ years of experience in West Hollywood and we were able to match them with a deeply knowledgeable lender that understood this particular submarket,” says Yim. “If this property was located in another city, we likely would have placed the loan with another lender. In the last 10 years, Jonathan and I have financed over \$3.5 billion in real estate loans. We’re in tune with the capital markets and that understanding allows us to intelligently connect users of capital and providers of capital. This was a perfect storm.”