

FINANCIAL "PHIL DONAHUE" LEADS LIVELY DISCUSSION AT THIRD MONTHLY MEETING

"Pro-active" was the buzzword at the May meeting of the N.Y. HABITAT "Managers Club," as mortgage broker Patrick Niland practiced and preached a doctrine of pro-action and interaction to nearly 30 managing agents.

The managers were assembled for the third session of the club, a monthly gathering that offers information, suggestions, and useful tips on topics of concern to managing agents and their buildings. The 8:30 A.M. gathering on May 13 offered croissants, corn muffins, bagels, coffee, and advice from Niland, managing partner of First Funding Group, a mortgage brokerage firm that specializes in underlying co-op mortgage loans.

"I want to get a sense of the problems you face," he began as he walked among the tables like a financial Phil Donahue.

"What are the problems, as a rule?" Silence. The broker looked around. "You have no problems?" Laughter — and then someone called out, "Boards!" More laughter and then more comments: "Lack of knowledge!" "Lack of patience!" "They don't understand how long it takes to get action!"

"Indeed," smiled Niland, moving smoothly into his topic, "boards don't understand what they're supposed to do. A co-op is a corporation, like IBM or GM. It has the same fiduciary responsibilities. The chief executive officer is the president — but unlike the chief executive at an IBM or a GM who came up through the ranks, a co-op president is usually not knowledgeable about what he needs to do. You, as the managing agent, are the chief operating officer. The board hired you to run the building because they don't know what they're doing — we shouldn't let them forget that. They hired you because you have the experience."

Niland was then off and running, using the same mixture of humor, questions and answers, and solid advice to

explore the topic he had come to discuss: refinancing a building's underlying mortgage. He made familiar information seem fresh with his engaging, dynamic approach, jumping from the general — "When you refinance, you have to look at the whole picture: at the physical and financial aspects of the building" — to a more specific list of actions managers and boards can take to prepare for a lender's review.

Among his key points, for instance, was "know the lender — and know when you are wasting time." Boards can go to banks, insurance companies, mortgage operations, and pension-fund groups, he observed, but each have their drawbacks. Pension funds, for example, are very conservative and only interested in big dollar amounts. Insurance companies, on the other hand, look at longer-term

"Many boards think because their building was valued at a million dollars in the mid-1980s, they won't have a problem with a loan. But lenders look at the worst-case scenario: if they have to foreclose and rent the building, what is the market value?" He added that recent court decisions forcing foreclosed buildings to rent under stabilization rates instead of market value have made lenders even more wary of getting involved with "iffy" co-ops.

All the more reason, he said, for a manager to be on top of the situation: working with the board, engineers, architects, and the staff to keep the building in top shape and anticipate the needs and requirements of potential lenders. "Nothing frustrates a loan officer more than borrowers who can't answer even the most fundamental questions," he observed at one point. "Know what you want and what he is looking for."

"And the best way to do that?" queried one manager. As an answer, Niland held up some coins and asked, "Who has a dollar bill for five quarters?" After he had made the exchange he explained:



Niland at meeting: know thyself — and your lender.

financing but impose prepayment penalties.

He warned about the wariness of banks to make loans because of changing appreciation/evaluation and the danger of overestimating a building's worth.

"That's how. You go to a mortgage broker. He knows what they want and he'll make you money. If I can't save you more than the cost of my fee, then I don't want your business. It's that simple."
— Tom Soter