

WHEN A DEAL IS REAL

By Patrick Niland

Throughout the refinancing process, boards are confronted by a staggering array of unfamiliar terminology. Without a complete understanding, they can be misled into making serious mistakes. Perhaps the most dangerous misunderstanding revolves around the various documents describing the terms of possible new loans.

The second most important piece of advice I can give co-op boards is that the only document that "locks in" the terms of a deal is a fully-executed commitment letter on lender letterhead. Everything else is subject to change.

So, a letter from a mortgage broker (even me), regardless of how official it may appear, indicates merely what the broker *thinks* the lender might do. It does not obligate the lender in any way.

Likewise, a "term sheet" from a lender, even on their letterhead, indicates only what the loan officer *thinks* might get approved. It does not obligate the lender in any way, either.

Even a lender's loan application indicates no more than the terms being applied for. There is no guarantee that any of those terms will get approved.

Which brings me to the most important piece of advice I can give: No board, under any circumstances, should begin a refinancing without first consulting all of their professional advisors. Their advisors have the knowledge and experience to help board members determine what they need, how they should get it, from which source, and when they actually have it.