



FDIC Offers Stake in \$1.1Bln Portfolio of Land Loans

Commercial Real Estate Direct Staff Report

FDIC has launched the offering of a portfolio of \$1.1 billion of distressed loans, mostly backed by developed and undeveloped residential lots, that were taken over from the failed ANB Financial of Bentonville, Ark.

The agency has tapped a venture between Nautilus Capital LLC of Mauldin, S.C., and GlassRatner Advisory & Capital Group of Atlanta to handle the offering, which involves only a 40 percent stake in the portfolio.

Nautilus was formed eight years ago by Steven Cohen and Laird Minor, both of whom were previously structured-finance executives at HomeGold Inc., a now-defunct residential lender. And GlassRatner is a consulting firm led by Ian Ratner and Ronald Glass, a long-time workout specialist who for a long time worked with Sam Zell on his myriad real estate investment ventures.

Given the lack of liquidity in the market, particularly for land and land loans, the agency has decided to sell only a stake in the portfolio to an investor or investor group that will then be charged with working out and otherwise maximizing the value of the portfolio's assets. By keeping an interest in the portfolio, the agency can benefit from any increase in the portfolio's value.

The tactic is similar to that popularized by the RTC during the early years of the savings and loan bailout. Because of a lack of liquidity at the time, the agency had difficulty selling any assets it took over for anything more than fire-sale prices. By structuring profit-sharing transactions, it was able to maximize sales proceeds and offload large volumes of loans in relatively short periods of time.

The FDIC earlier this year adopted the approach for a portfolio of residential construction loans it assumed through its takeover of NetBank Inc., which failed roughly a year ago.

The agency sold \$1.5 billion of the bank's deposits to ING Bank and \$700 million of its mortgage assets to EverBank of Jacksonville, Fla. It kept about \$1.1 billion of assets and early

this year tapped Nautilus to offer a stake in what was left of the bank's Market Street Mortgage origination arm.

Specifically, it offered \$145 million of distressed construction loans, 80 percent of which were backed by residential lots in southwest Florida. It sold a 40 percent stake in the portfolio to an investor group that has not been identified.

For the current offering of ANB assets, Nautilus started distributing offering material last week. The portfolio is comprised of 1,192 loans with a balance of \$1.1 billion. The loans are primarily backed by developed residential lots and undeveloped land scattered among 18 states, with a roughly 50 percent concentration in Utah. A total of 92 percent of the portfolio is comprised of nonperforming loans, including nine loans with a balance of \$29 million on commercial properties.

According to the offering material, investors will have until November 26 to conduct due diligence on the portfolio. They will then turn in bids on December 3 for a 40 percent stake in the portfolio. FDIC will keep the remaining 60 percent. The agency is not expected to offer seller financing.

Like with the NetBank offering, FDIC's partner will receive 40 percent of all proceeds generated from the resolution of the portfolio's assets. But if certain performance hurdles are reached, it could increase its share of proceeds to 60 percent.

Investors will have until November 26 to conduct due diligence on the portfolio and Nautilus and GlassRatner will take offers on December 3, with the expectation that a sale will close by December 17.

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