

FDIC sells ANB Financial's commercial construction loan portfolio

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By Nathan Stovall

Nautilus Capital LLC, GlassRatner Advisory and Capital Group LLC, serving as advisers to the FDIC, completed the structured liquidation of a \$1.1 billion commercial construction loan portfolio of ANB Bancshares Inc. unit ANB Financial NA.

The FDIC closed ANB Financial on May 9, 2008, and IBERIABANK Corp. assumed control of the company's nine branches, \$212.9 million in nonbrokered deposits and \$235.9 million in assets, a sizable portion of which were securities. ANB Financial had \$2.1 billion in assets when the FDIC seized the institution, leaving the government with a significant pool of assets to sell.

An investor eventually purchased a stake in a \$1.1 billion commercial construction portfolio originated by ANB Financial in a structured transaction with the FDIC. Approximately 90% of those loans were delinquent or nonperforming at year-end 2008. The vast majority of the loans are land and lot loans, with 485 separate credits totaling approximately \$773.8 million. Residential related commercial construction loans are the next largest collateral type, comprising 21.3% of the portfolio, or roughly \$245.0 million. The remainder of the portfolio consists of commercial real estate, single-family residential, and consumer one- to four-family construction loans.

Laird Minor, managing director at **Nautilus Capital**, told SNL that the loans were placed in a limited liability corporation — the investor purchased a 20% interest in the LLC while the FDIC retained the remaining 80%. He said investors placed bids on 20% and 40% stakes in the portfolio, at various prices, but the most favorable pricing scenario for the FDIC resulted with the winning investor purchasing a 20% stake in the portfolio.

Minor said some investors were not interested in a structured transaction and expressed an interest in purchasing the entire portfolio. However, he said the FDIC preferred the structured deal because that form allows it to participate in the upside realized on the assets rather than simply selling the portfolio at the "very bottom of the market."

The investor's stake in the portfolio could possibly increase if certain conditions are met. Those conditions require that the FDIC receives a predetermined amount of cash from the consideration of the structured transaction plus a certain amount of proceeds resulting from loss mitigation strategies the buyer employs. Once that aggregate value is reached, the investor will hold a 40% stake beyond that point.

"This is mostly nonperforming loans, and there's not really a lot of a cash flow. They've got to create the cash flow from their loss mitigation strategies," **Nautilus Capital** managing director Steven Cohen told SNL.

He added that the investor is responsible for the servicing expenditures up front, but they will recoup those costs as cash flows come out of the top of the waterfall.

Cohen and Minor worked with the FDIC last year to liquidate NetBank's construction loan portfolio. The FDIC has completed several sales of assets from failed banks through the DebtX, an online marketplace for buyers and sellers of commercial debt, and through private transactions. The FDIC recently completed a sale of \$1.45 billion in First National Bank of Nevada loans through two private/public partnership transactions. *i*