



Learners Guide

Welcome Financing Deals in the Aftermath of COVID-19

Hear from finance executives on how deals are getting done in Los Angeles, the Western States, and Nationally since the onset of the COVID-19 pandemic. This one-hour course will cover a number of topics related to the state of CRE finance from the onset of the pandemic in February to now. What does finance for CRE deals look like as we emerge from COVID-19 lockdowns and reopen the economy?

Throughout the course, Connect Classroom has created course content, which encourages ongoing conversations rather than rote memorization. Enjoy listening to panel conversations about topics relevant to your work.

CE Credit: 1 hour

Written section length: 1 hour

Estimated time to complete course: 1.5 hours

Disclaimer Statement

This course is approved for continuing education credit by the California Department of Real Estate. However, this approval does not constitute an endorsement of the views or opinions which are expressed by the course sponsor, instructors, authors, or lecturers.

INSTRUCTORS

- Daniel Cenicerros – Founder and CEO, Connect Commercial Real Estate

LESSON 1: MARKET OVERVIEW AS OF JUNE 11, 2020

- A brief overview of how we got here starting in February of 2020 when the National Bureau of Economic Research states that the United States economy officially entered a recession.
- This includes the effect on lenders (CMBS, National Banks, Regional Banks, Debt Funds, Life Companies and Credit Unions) and how they have reacted since February.

Lesson 1: Video

Video Link: CE_Video 1_Market Overview as of June 11, 2020_V2 LONGER INTRO.mp4

Est. Time: 13:14

LESSON 2: INSTRUCTORS SHARE THEIR LENDING STATUS PRE-COVID, AT THE PEAK OF THE SHUTDOWNS AND NOW

Lesson 2: Video

Video Link: Video 2_Instructors share their lending status pre-COVID.mp4

Est. Time: 4:57

LESSON 3: WHAT HAPPENS WHEN PPP AND FORBEARANCE ENDS OR RUNS OUT?

- What happens to employees when employers can't pay them after PPP runs out?
 - August, September and October will be very telling
- What happens when unemployment money runs out?
 - Is distress coming? Is it already here?
- What happens to consumers when forbearance ends?
 - Auto, mortgage, student loans, etc.

Lesson 3: Video

Video Link: CE Video 3_What happens when PPP and forbearance ends or runs out-.mp4

Est. Time: 3:26

LESSON 4: HOW IS MULTIFAMILY LENDING GOING?

Lesson 4: Video

Video Link: CE Video 4_How is multifamily lending going--.mp4

Est. Time: 1:19

LESSON 5: HOW ARE OTHER CRE SECTORS PERFORMING?

Lesson 5: Video

Video Link: CE Video 5_How are other CRE sectors performing--.mp4

Est. Time: 4:07

Lesson 5: Key Points

- Hospitality, retail, office, industrial, etc.
- Post-COVID, retail and hotels are off the table for many lenders
- There is an increased focus on multifamily for many lenders

LESSON 6: BUILDING RESERVES INTO LOAN STRUCTURE

- Are instructors doing this?
- How do we structure reserves?

Lesson 6: Video

Video Link: CE Video 6_Building reserves into loan structure.mp4

Est. Time: 1:04

LESSON 7: INSTRUCTORS SHARE HOW THEIR UNDERWRITING PROCESS, DUE DILIGENCE, FORECASTING ASSUMPTIONS, ETC. HAVE CHANGED DUE TO COVID-19

Instructors share how their loan portfolios are performing. How are lenders and servicers responding to defaults?

Lesson 7: Video

Video Link: CE Video 7_Instructors share how their underwriting process, due diligence, forecasting assumptions have changed due to COVID-19.mp4

Est. Time: 11:11

Lesson 7: Key Points

- Gary Tenzer, Clark Briner, Felix Gutnikov and Peter Margolin share how their underwriting processes, due diligence, and forecasting assumptions have changed due to the COVID-19 pandemic.

LESSON 8: CMBS LOANS AND PPP

Lesson 8: Video

Video Link: CE Video 8_CMBS Loans and PPP-.mp4

Est. Time: 3:24

Lesson 8: Key Points

- If you are taking a PPP loan it is possible to trigger subordinate debt on CMBS loans.
- CMBS loans carry very complex loan documents. Because of this they have strict regulations. One of the regulations of a CMBS loan prohibits the borrower from taking on subordinate debt. If the entity takes on a PPP loan that is considered debt and can be construed as a violation of the CMBS loan. Even though the PPP loan is not recorded on the property. If the servicer became aware of it there could be a default triggered.
- Borrowers should talk to counsel before doing anything on a CMBS loan.

LESSON 9: WHAT IS THE PROCES OF HAVING EQUITY COMED TO LENDERS TO RECAPITALIZE?

Lesson 9: Video

Video Link: CE Video 9_What is the process of having equity come to lenders to recapitalize-.mp4 at 14 October 2020 15:27:02

Est. Time: 4:07

Lesson 9: Key Points

- Distressed debt investors are looking to buy into partnerships.

- What are other opportunities in the market right now?
- In most cases a senior lender is not going to be ok with a borrower using preferred equity to take his chips off the table.
- Instructors expect a big uptick in these type of deals.

LESSON 10: MARKET VALUE AND DEALING WITH APPRAISAL REDUCTIONS

Lesson 10: Video

Video Link: CE Video 10_Market Value and Dealing With Appraisal Reductions.mp4

Est. Time: 1:32

Lesson 10: Key Points

- Dealing with “appraisal reductions”
- CMBS loans have the right to go in and reappraise properties
- Determining LTV when there are fewer arm’s length trades
- What metrics to rely on in underwriting when LTV is not reliable

LESSON 11: LAST MINUTE THOUGHTS FROM INSTRUCTORS

Lesson 11: Video

Video Link: CE Video 11_Last minute thoughts from instructors-.mp4

Est. Time: 4:09

Lesson 11: Key Points

- For distressed investors, don’t be too quick to rush in
- Look for a new wave of lenders to come in
- We are looking at several quarters of “interesting times” in the immediate future
- There are active lenders out there right now

TOPICS FROM GARY TENZER’S OUTLINE THAT WERE NOT COVERED IN THE WEBINAR

How to deal with/plan for possible legislation that may impose new rent controls, abatements and forbearance provisions.

- How are legislative debates affecting lending decisions?

Forbearance

- If a borrower anticipates a problem with future mortgage payments or a loan covenant, how is it recommended that they make a forbearance request?
- How borrowers should prepare?
 - Despite loan document restrictions, the borrowers may need the ability to modify leases with tenants or to streamline that process without lender involvement for large projects with a variety of tenants.
- How are borrowers working through COVID related credit issues with tenants/lenders?
- Types of payment modifications

- Short-term interest only payment for three to six months
- Loan re-amortization
- Breaking escrows and utilizing tenant deposits to pay for operating expense shortfalls
- Tapping into FF&E Reserves
- Utilizing government funded PPP program to fund shortfalls
- Extending loan maturity date
- Short term vs. long term implications of forbearance

INCREMENTAL ASSESSMENT

Quiz Directions

Quiz questions are true/false or multiple choice. Choose the best answer. You will have an opportunity to answer the questions a second time if you fail the first time. Correct answers allow you to move forward in the course.

FINAL EXAM

Please complete the following exam to receive full continuing education credit. You will be able to take the exam twice and must have a 70% score to pass.

While taking this exam, please ensure that you are in a private room to avoid distraction with a stable wi-fi connection. Once you begin the exam you will be unable to pause it or restart it. If you do not pass within 2 attempts, the course will need to be retaken.

Once you have successfully passed the course exam, you will be directed click a button to continue on to receive your certificate.

Before the learner can download their certificate, they must verify the following information:

I, NAME, certify and ensure that by written statement signed under penalty of perjury that the participant enrolled is the person completing the course.

First Name:

Last Name:

State Recognized ID:

Professional License Number:

If any of this information is missing or incorrect – STOP NOW! – and click the “**Update Information**” button.

This is important as it'll be used on your certificate!

A pop-up dialog box will give the learner an opportunity to correct erroneous information or add in missing information. When all of the information has been updated, click “**Update**” button. Finally click the “**I Confirm My Details Are Correct**” button to return to the Course home page. The course certification will be available to download from the top of the page.

Thank you for completing the Financing Deals in the Aftermath of COVID-19 Course!

FINAL EXAM – TEST BANK: 10 Questions Pulled from a Question Bank of 30 Questions

10 questions, 1 minute each question = 10 minutes to complete