



CAPITAL NOTES

NEWS ABOUT THE FINANCIAL & LEGAL MARKETS
FROM CAPITAL FINANCE

"EXPERIENCE, EXPERTISE, INTEGRITY AND CLARITY"

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Happy New Year!

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Credit Crisis Affects Appraisers



In our litigation support, we have seen a tremendous upsurge in lawsuits against appraisers. While this predominantly occurs in real estate secured transactions, equipment and other types of appraisers have also been affected. The important issue to remember in this type of dispute is reliance. Did you rely on the appraisal and should you have relied on the appraisal? Appraisals are estimates of value and can be prepared in different ways such as fair market value (FMV) or a variety of liquidation values; forced, orderly, etc. Of course, the most thorough user of an appraisal may not be able to demonstrate reliance if their due diligence is not documented. There are too many nuances in appraisal disputes to list here; but, if you find yourself involved in or have questions about such a dispute, feel free to call us.

Credit Markets Tight

If you haven't heard about the sub-prime crisis you must have just returned from an extended stay on the space station. Our financial services do not focus on consumer credit. We are; however, very active in assisting financial institutions to buy or sell loan portfolios, including consumer type credits (auto, home equity, etc.). Contrary to what was believed earlier, the sub-prime crisis has had a spillover effect into other markets. Most independent banks appear unaffected. Major and regional banks are being affected. Portfolio losses in consumer real estate loans (and their derivatives) are pressuring capital ratios. Net interest margins are being squeezed by a high Fed Funds rate. These two elements have led to a "fear factor" at the big banks which is causing the spillover.

Trading in whole loan portfolios has decreased due to big banks withdrawing from the market. What trades are taking place are done at sharply reduced prices. Commercial borrowers are paying higher rates and, if your commercial request depends on consumers for a source of repayment, prepare to deal with a higher level of skepticism by your lender. Local, independent banks, although not totally immune, are largely unaffected. As always, if Capital Finance can help, give us a call.

Capital Finance Awarded Contract to Sell

Auto Portfolio

We are very pleased to announce that, in January, Capital Finance has been awarded a contract to sell \$36 million of performing prime and near-prime automobile loans originated by a New Jersey commercial bank. The \$36 million portfolio represents loans available for immediate sale; however, the contract extends for a three year period. The Bank will continue to originate about \$10 million per month in new loans which can also be sold under this contract.

Capital Finance has been actively representing buyers and sellers of risk assets since 1993 including performing and non-performing automobile loans and leases, commercial and consumer real estate secured junior and senior liens as well as other types of portfolios. Our typical sellers are commercial banks, savings & loans and credit unions wishing to raise liquidity or capital. Buyers may be specialized, non-depository lenders such as private companies or brokerage firms while, depending on the type of portfolio offered, buyers may be other banks and depository lenders.