A STRATEGY FOR LIQUIDATING LAND ASSETS FROM THE RESOLUTION TRUST CORPORATION PORTFOLIO

By

Clinton David Fisch

B.A. Land Use Planning and Development
California State University (1984)

M.B.A. Finance
Boston University (1988)

Submitted to the Center For Real Estate
in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Real Estate Development

at the
Massachusetts Institute of Technology

September, 1992

(c) Clinton D. Fisch 1992
All Rights Reserved

The author hereby grants to MIT permission to reproduce and to distribute copies of this thesis document in whole or in part.

Signature of Author

Clinton David Fisch
MIT Center For Real Estate Development
July 31, 1992

Certified by

Marc Louargand
Lecturer in Urban Studies and Planning

Accepted by

Lawrence S. Bacow
Chairman
Interdepartmental Degree Program in Real Estate Development

Massachusetts Institute of Technology
A STRATEGY FOR LIQUIDATING LAND ASSETS FROM THE RESOLUTION TRUST CORPORATION PORTFOLIO

By

Clinton David Fisch

Submitted to the Department of Urban Studies and Planning on July 31, 1992 in partial fulfillment of the requirements for the degree of

Master of Science in
Real Estate Development

ABSTRACT

The Resolution Trust Corporation (RTC), created in the wake of the savings and loan crisis, is now almost three years old. It has become a major presence in the real estate industry and will be for most of the 1990’s. To date, it has disposed of over $230 billion of former savings and loan assets. Unfortunately, much of the remaining RTC portfolio is classified as hard-to-sell assets ($61 billion as of January, 1992 with projected additions of at least $60 billion from S&L’s that have not yet failed). Hard-to-sell assets consist of non-performing loans, land assets, real estate owned (REO), and investments in subsidiaries (primarily development companies and other entities that hold REO themselves).

This thesis provides an overview of the real estate recession of the 1990’s, its impact on the savings and loan industry, and an analysis of the RTC’s role in managing and disposing of failed thrift real estate assets. Next, it considers the unique characteristics of hard-to-sell assets and summarizes the RTC’s utilization of auctions, bulk sales, securitization, real estate investment trust's, and other instruments as liquidation vehicles. The land development process is also reviewed since a large portion of the RTC’s assets are hard-to-sell performing and non-performing land loans and land real estate owned (REO).

This thesis concludes with a detailed analysis and case study of the RTC’s Land Fund. Currently, the RTC has over $20 billion of land loans and land REO in its inventory. It has proven to be both illiquid, costly to carry, and difficult to manage. The Land Fund is a new initiative, still in the development stage, for the disposition of large amounts of land assets in a timely manner. Through the help of PaineWebber Properties and LaSalle Partners, financial advisors to the RTC, a strategy for liquidating land assets from the RTC portfolio is analyzed with special attention given to asset selection, pricing, modeling, sponsor/investor selection, and deal structuring.

Thesis Supervisor: Marc Louargand
Lecturer in Urban Studies and Planning
ACKNOWLEDGMENTS

The author would like to thank everyone at PaineWebber Properties for their time and effort. The process would not have begun without the help of Mark Dunne, Center for Real Estate Development Alumnus. He provided the initial idea and led to key contacts at PaineWebber. Lawrence Cohen is also owed a great deal of thanks as it was his ultimate decision to allow the author to become a contributing member of the Land Fund team.

Most importantly, the author benefited from the expertise, insight, and counsel of Peter Canny of PaineWebber Properties. Without his help and guidance, much of the information contained herein would not have been accessible.

Additional thanks is due to Marc Louargand, the thesis advisor, who helped focus and guide the process from inception to completion.
# TABLE OF CONTENTS

Abstract 2

Chapter One:  5
1. Introduction 6
2. Overview of the Current Real Estate Crisis 7

Chapter Two: The Resolution Trust Company 13
I. Introduction 14
II. Comparison with the Federal Deposit Insurance Corporation 15
III. Overview of the RTC's Progress To Date 17
IV. Projected Additions to the RTC's Portfolio 19

Chapter Three: Unique Characteristics of Hard-To-Sell Assets 23
I. Overview of RTC's Hard-to-Sell Assets. 24
II. RTC's Initial Attempt at Disposing of Hard-to-Sell Assets 25
III. SAMDA Contracts. 26
IV. Portfolio and Auction Sales 27
V. The GE Capital/Robert Bass Purchase 32
VI. Investors Rational For Purchasing Distressed Assets 37

Chapter Four: RTC's Utilization of Securitization 38
I. Overview of RTC's Securitization Program 39
II. Single Family Securitization 40
III. Multifamily Securitization 41
IV. Commercial MBS 42
V. Non-mortgage Loans 46

Chapter Five: REIT's as a Disposal Mechanism For the RTC 49
I. Advantages and Disadvantages 49
II. Basic Requirements 49
III. REIT's and the RTC's Hard-to-Sell Asset Category. 51

Chapter Six: Land Development 53
I. Characteristics 53
II. Overview 53

Chapter Seven. Case Study: RTC Land Fund 58
I. Introduction 59
II. Unique Aspects of Selling RTC Land 60
III. Objectives of the RTC's Land Initiative 61
IV. Overview of Proposed Disposition Vehicles 62
V. The LaSalle Partners/PaineWebber Properties Strategy 64
VI. General Background 65
VII. Due Diligence Process 65
VIII. Valuation 65
IX. Guidelines For Selecting the Investor Group 70
X. Marketing Strategy 70
XI. Land Fund Conclusion 72

Chapter Eight. Conclusion 85

References 90
Chapter One

I. Introduction

As the national recession and the "credit crunch" continue, the Resolution Trust Company's (RTC) mission of protecting depositors while resolving insolvent thrifts and disposing of assets become more critical. In the fall of 1990, Leonard Zax stated in his article, "The RTC and The Real Estate Industry", "As the custodian of the largest real estate portfolio in history, the RTC will be a major presence in the real estate industry for much of the 1990's."[46] His predictions have become a reality. Although the RTC has had success in disposing of more than $230 billion of its more liquid assets, its ability to deal with less liquid assets, like performing and non-performing land loans and land real estate owned (REO) is untested. The purpose of this paper is to examine how the RTC has managed the liquidation process to date and what unique problems lie ahead concerning hard-to-sell assets, especially performing and non-performing land loans and real estate owned (REO).

This thesis provides an overview of the real estate recession of the 1990's, its impact on the savings and loan industry, and an analysis of the Resolution Trust Corporation's (RTC) role in managing and disposing of failed thrift real estate assets (Chapters One and Two). Next, it considers the unique characteristics of liquidating hard-to-sell assets (Chapter Three). It then summarizes the RTC's utilization of auctions, bulk sales, securitization, real estate investment trust's (REIT), and other instruments as liquidation vehicles (Chapters Four and Five). The land
development process is also reviewed since a large portion of the RTC's assets are hard-to-sell performing and non-performing land loans and land real estate owned (REO). The thesis concludes with a detailed analysis and case study of the RTC's Land Fund. Currently, the RTC has over $20 billion of land loans and land REO in its inventory. It has proven to be both illiquid, costly to carry, and difficult to manage.

A new initiative, still in the development stage, called the multiple investor fund (MIF), has been implemented with high expectations regarding the disposition of large amounts of hard-to-sell assets in a timely manner. Through the help of PaineWebber Properties and LaSalle Partners, financial advisors to the RTC, an overview of the RTC's special challenges, objectives, and proposed disposition strategy for hard-to-sell assets is explored in depth. Asset selection, pricing, modeling, sponsor/investor selection, and deal structure are analyzed to aid in the understanding of the process.

II. Overview of the Current Real Estate Crisis

In a broad sense, the source of the current real estate crisis is excess supply. During the 1980's, capital for real estate ventures was readily available on accommodating terms. Figure 1 shows the growth in real estate capital (defined as pension fund debt and equity, financial institution debt and equity, equity invested by foreign investors—which equity may be at least partially funded debt originated outside the us-equity investments by corporations in real estate, and the aggregate of investment by individuals and institutions in real estate securities. Not
included is investment by individuals and debt provided by other than sources noted to finance real estate acquisitions) from 1980 to 1990 and Table 1 provides a break-out by source: [32]

Figure 1

Source: Source Stephen Roulac: The Roulac Group
The are several reasons why aggregate real estate capital (Roulac-Dimension) grew by $2.26 trillion from 1980 to 1990, to more than $4 trillion. First, the Economic Recovery Tax Act of 1981 (ERTA) significantly changed the Federal Tax Code and increased the attractiveness of real estate investment. ERTA accelerated depreciation schedules for real estate, lowered the effective minimum capital gains tax rate, and increased the availability of certain tax credits. [38] Consequently, the tax driven real estate syndication business quickly expanded resulting in a new source of capital for real estate assets.
The second major event that precipitated the current real estate over supply was passage of the Garn-St Germain Depository Institutions Act of 1982. This act, passed under the deregulation movement of the early 1980's, sought to counterbalance disintermediation—the process of deposit holders leaving banks and thrifts for money market funds which paid higher interest rates. The Garn-St Germain Depository Institutions Act of 1982, removed the deposit rate limits placed on commercial banks and S&L's allowing them to compete more vigorously for deposits. In addition, in an attempt to aid the S&L industry, it began a process of expanding the type of businesses that S&L's could operate. Formerly, the S&L's had been limited to competing in the residential mortgage lending environment.

In order to offset the higher deposit rates, the S&L's entered areas, such as real estate lending (joint ventures in land speculation projects, commercial construction loans, participating mortgages, etc.), leveraged buy-outs, junk bond trading, and less developed country lending (LDC) that offered higher yields and large fees. However, they were also entering businesses that were unfamiliar and fraught with much higher credit risks. [6] Table 2 shows the tremendous growth of S&L assets that occurred between 1980 and 1989 during a period characterized by a 26% reduction in total institutions: [24]
<table>
<thead>
<tr>
<th>Ownership</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>3,194</td>
<td>1,614</td>
</tr>
<tr>
<td>% of Assets</td>
<td>73%</td>
<td>26%</td>
</tr>
<tr>
<td>Number</td>
<td>799</td>
<td>1,320</td>
</tr>
<tr>
<td>% of Assets</td>
<td>27%</td>
<td>74%</td>
</tr>
<tr>
<td>Total</td>
<td>3,993</td>
<td>2,934</td>
</tr>
<tr>
<td>Tot. Assets</td>
<td>$604 billion</td>
<td>$1,339 billion</td>
</tr>
</tbody>
</table>

Source: Office of Thrift Supervision, Marc Louargand, 1989

Figure 2 shows the growth rate of loans by banks, S&L's, and insurance companies. Much of the growth in loans was fueled by real estate lending as their traditional customer base, the manufacturer, began to access cheaper sources of capital such as the commercial paper market.
Between 1982 and 1985, S&L's increased their real estate loans by over $200 billion. However, beginning in the mid-1980's the growth in the dollar amount of loans shifted from the S&L's to commercial banks. The percentage of loans to total assets extended to real estate by commercial banks increased from 20% in 1979 to 28% in 1989 (see Figure 3 below).
In 1986, the Tax Reform Act of 1986 (TRA 86) was passed severely limiting real estate tax shelters, increasing depreciation schedules, eliminating capital gain exclusions, and implementing passive loss rules. This may have been effective, except after TRA 86 reduced the flow of funds into real estate from syndication’s, pension funds and foreign investors entered the market and filled the void. [26]

These events, plus the unsound investment practices of banks and developers, led to the vast imbalance between supply and demand existing today. According to William Wheaton, a professor at MIT, "across 32 office markets, the national vacancy rate at mid-1990 stood at 18.9%, up from a low of 4% in 1980 and well above the peak vacancy during the last real estate downturn, which was 15% in 1975." [44]
Chapter Two
The Resolution Trust Corporation

I. Introduction

The Resolution Trust Corporation (RTC) was created under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The purpose of FIRREA was to reorganize the thrift industry, provide additional restrictions on their activities, and to increase the regulatory and enforcement powers of the Federal Deposit Insurance Corporation (FDIC). The FDIC now is required to insure both S&L associations and banks pursuant to the Bank Insurance Fund, the successor to the FDIC Insurance Fund, and the Savings Association Insurance Fund. Basically, FIRREA replaced the Federal Savings and Loan Insurance Corporation (FSLIC) and the Federal Home Loan Bank Board (FHLBB) and created the RTC and the Office of Thrift Supervision (OTS). The OTS now has the responsibility for chartering, regulating, supervising, and examining federal and state S&L associations. [35]

The RTC is now almost three years old, has approximately 8,500 employees (75% temporary), and has awarded over 52,000 contracts, of which approximately 20,000 are active. [41] Its global mission is to resolve all failed thrifts through disposition of their assets and liabilities, to maximize the return on sale or other disposition of institutions, to operate in such a way as to minimize the impact on local real estate and financial markets, and to utilize its funds to minimize the loss from failed institutions. On February 1, 1992, Albert V. Casey was appointed the new CEO of the RTC. Mr. Casey has begun to reorganize the agency to
improve its operating efficiency. Four senior vice presidents head the four operating divisions; David C. Cooke-Division of Planning and Corporate Relations, Gerald L Jacobs-Legal Services, William H. Roelle-Institution Operations and Sales, and Lamar C. Kelly, Jr.-Asset Management and Sales. [41]

The RTC is organized according to three principal areas: marketing thrift institutions to potential acquirers, principally bank holding companies; selling assets under its control to investors not interested in acquiring a depository institution; and contracting with private sector firms to manage and dispose of RTC assets. Regarding the last area, the RTC's mandate is to sell property at documented market values. Congress has required that the RTC maximize the return to the taxpayer and to minimize the impact on the local real estate market. In addition, the RTC is not mandated to develop partially completed projects nor to speculate on future values. [46]

II. Comparison with the Federal Deposit Insurance Corporation

Initially, the RTC's operations were patterned after those of the Federal Deposit Insurance Corporation (FDIC), leading the RTC to sell most of its assets in a retail fashion through its field offices. There are three primary differences between the RTC and the FDIC. First, the RTC, unlike the FDIC, is only a liquidating entity and it is subject to a sunset provision (a legislature imposed termination date of December 31, 1996). Second, due to the RTC's liquidation experiences to date, it has developed into a more sophisticated liquidating entity, utilizing a broader array of liquidation strategies. [16] Third, while S&L's are primarily local institutions with
little corporate or international impact from a single failure, commercial banks are more national and corporate oriented. Many experts believe that a failure of a large money center commercial bank is unlikely because the impact would be international. As a result, the Federal Deposit Insurance Corporation will use the insurance fund to resolve small commercial bank failures, but the larger banks will be kept afloat through borrowing from the reserve system. [38]

Historically, the FDIC liquidated assets on an asset by asset basis rather than through wholesale liquidation and centralized execution. Recently, the FDIC has set up a National Mortgage Sales Unit in Irvine, California to consolidate the servicing of performing mortgage loans for over 600 failed banks and construct large portfolios for sale in the broader capital market arena. The FDIC has begun to assign the management, servicing, and liquidation duties for non-performing loans and REO with the deposit franchise-acquiring institution or, more recently, with a small group of pre-approved asset servicers-similar to the RTC’s Standard Asset Management and Disposition Agreement (SAMDA) contractors discussed in a subsequent section. [17]

The overall financial condition of banks depends on several factors: interest rates, economic conditions, capacity of their loan loss reserves to carry non-performing loans, and the aggressiveness of the regulators. If the banking industry deteriorates further, new approaches to liquidating assets may become necessary. In general, analysts believe that the overall financial condition of the banking industry will dictate whether the
FDIC will need to adopt wholesale sales strategies like those of the RTC. [2]

III. Overview of the RTC’s Progress to Date

From the RTC’s inception through November 1991, it took control of 674 insolvent thrifts with total book value assets of $349 billion. Approximately 14 percent of the thrifts were held in conservatorship; 86 percent were held in receivership. When the RTC first takes control of an insolvent thrift, it is held in conservatorship. An insolvent thrift held in conservatorship will be resolved either by selling it whole or piecemeal to other parties or liquidating it. During the resolution process some of the thrift’s assets may not be sold. These assets are then held in receivership by the RTC. To date, the RTC has disposed of approximately $230 billion of those assets, but still holds approximately $137 billion.

A recent analysis conducted by Goldman, Sachs & Co. of the RTC’s inventory of assets, found that total assets had continued to decline from $137 billion in November 1991 to $129 billion in January 1992. Figure 4 shows the break down of assets according to three broad categories:

1. Cash and Securities- Consisting of cash, United States Treasuries, agency, mortgaged backed, and corporate (including non-investment grade) securities.
2. Current Status Loans- All loan assets that are current or not more than two payments delinquent.
3. **Hard-to-Sell Assets** - Non-performing loans (more than two payments delinquent), real estate owned (REO), investments in subsidiaries, and most other assets. [2]

![RTC Portfolio Composition](image)

Initially, the amount of assets added to the RTC's portfolio was growing more rapidly than the rate of disposition. However, by May of 1991 the RTC's balance sheet holdings peaked at $186 billion. Since then, it has been disposing of the assets at a faster rate than it has been acquiring new assets. This seems to indicate that the RTC has finally begun to address its problems effectively and that the flow of assets into the RTC has been reduced. Table 1 depicts the total assets held by thrifts under RTC control with approximately $21 billion in land assets out of $137 billion in total assets.
**Table 3**

<table>
<thead>
<tr>
<th>Total Assets Held by Thrifts Under RTC Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>( billions of dollars )</td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>R.E.O.</td>
</tr>
<tr>
<td>Total Mortgages</td>
</tr>
<tr>
<td>Performing Mortgages</td>
</tr>
<tr>
<td>Construction Loans</td>
</tr>
<tr>
<td>Permanent Mortgs.</td>
</tr>
<tr>
<td>1-4 Family Dwellings</td>
</tr>
<tr>
<td>Other mortgages</td>
</tr>
<tr>
<td>Non-performing Mortgs.</td>
</tr>
<tr>
<td>Construction Loans</td>
</tr>
<tr>
<td>Permanent Mortgages</td>
</tr>
<tr>
<td>1-4 Family Dwellings</td>
</tr>
<tr>
<td>Other mortgages</td>
</tr>
<tr>
<td>Non-mortgage Loans</td>
</tr>
<tr>
<td>Securities</td>
</tr>
<tr>
<td>Other Assets</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
</tr>
</tbody>
</table>

* Includes conservatorships and receiverships, as of November 1991

* Dispositions, at original book-value.

Sources: Resolution Trust Corporation and Merrill Lynch

According to Deputy Secretary of the Treasury John Robson, "The RTC indeed has picked up the pace in disposing of assets. Auctions, bulk sales, and securitization all brought encouraging results in 1991 and, as a result, the RTC is being urged to pursue these liquidation methods aggressively in 1992." [18]
IV. Projected Additions to the RTC's Portfolio

By most accounts, the thrift industry today is in better shape than it was prior to the formation of the RTC. In June of 1989 there were 2,934 thrifts with total book-value assets totaling $1.35 trillion. By September, 1991, the industry had decreased to 2,148 thrifts with total book-value assets totaling $899 billion. To help estimate what may lie ahead for the thrift industry and ultimately the RTC, Merrill Lynch & Co. looked at two rating systems for evaluating the safety and soundness of thrifts. [36] The first rating system is managed by the Office of Thrift Supervision (OTS) and another by a private investment research firm, SNL Securities.

As shown in Table 4, by September of 1991, only 79 thrifts with assets of $63 billion were classified by the OTS as insolvent institutions. These 79 thrifts make up Group IV, the OTS's highest risk category. Another 385 thrifts with $245 billion in assets were in Group III, its next highest risk category (see table 4). By most accounts, all 79 thrifts in Group IV will end up under the RTC's control. So will some of the assets in Group III.

The SNL rating system relies on three financial measures, 1) the ratio of adjusted equity (tangible equity plus reserves) to assets, 2) the ratio of non-performing assets to total assets, 3) and the rate of return on average assets. As depicted in Table 4, the overall results of SNL's research closely parallel that of the OTS. The majority of these troubled thrifts are likely to end up under the RTC's control. The Table shows the dollar amount of assets, by asset type (real estate owned, performing and
non-performing mortgages, non-mortgage loans, securities, and other assets) that will most likely be transferred to RTC control.

| Total Assets of Troubled Thrifts, September 1991 (billions of dollars) |
|------------------|------------------|------------------|------------------|
|                   | OTS III | Group OTS IV | Troubled Thrifts* | RTC Nov '91 |
| R.E.O.            | 6       | 3.4          | 12.1             | 16.6        |
| Total Mortgages   | 138.7   | 34.8         | 191.5            | 74.3        |
| Performing Mortgages | 134    | 32.5         | 183              | 49.3        |
| Construction Loans | 1.2    | 1.5          | 5.9              | 3.6         |
| Permanent Loans   | 132.8   | 31           | 177              | 45.7        |
| 1-4 Dwelling Units | 91.9   | 21.6         | 117.9            | 26.1        |
| Other Mortgages   | 40.9    | 9.4          | 59.1             | 19.6        |
| Non-performing Mortgages | 4.7  | 2.3           | 8.5              | 25          |
| Construction Loans | 1      | 0.7          | 1.9              | 9.3         |
| Permanent Loans   | 3.7     | 1.6          | 6.6              | 15.7        |
| 1-4 Dwelling Units | 1.8    | 0.5          | 3.0              | 3.2         |
| Other Mortgages   | 1.9     | 1.1          | 3.6              | 12.5        |
| Non-mortgage Loans | 16.8  | 3.9           | 14               | 10.2        |
| Securities        | 69.1    | 18.3         | 18.2             |             |
| Other Assets      | 14.6    | 6            | 119              | 17.6        |
| Total Assets      | 245.2   | 63           | 336.9            | 136.9       |
| Total Thrifts     | 385 thrifts | 79 thrifts  |                  |             |

* According to OTS guidelines, Group IV consists of expected transfers to the RTC; Group III is made up of thrifts with poor earnings and low capital. SNL - "D" includes those thrifts that are in extremely poor financial condition.
Source: Office of Thrift Supervision, SNL Securities, Resolution Trust Company, and Merrill Lynch.

Based on this information, the Merrill Lynch Real Estate Economics Special Report concluded that between $165 billion and $183 billion in assets would be added to the $137 billion that were on the books of the RTC as of November 1991. Table 5 summarizes the number of thrifts and amount of assets taken over by the RTC from inception to November of 1991. It also estimates the most likely amount of future additions to the RTC based on OTS and SNL research. Given that the RTC has disposed
of $229 billion in assets as of November 1991, it appears that more than 40% of the "clean-up" may have been completed.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>ESTIMATED RTC ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1989 to Nov '91</td>
</tr>
<tr>
<td>Number of thrifts taken over</td>
<td>674</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Book-value of Assets</td>
<td>$349 billion</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Dispositions</td>
<td>$229 billion</td>
</tr>
<tr>
<td>Book Value of Assets Under RTC Control</td>
<td>$137 billion</td>
</tr>
</tbody>
</table>

The Goldman, Sachs, & Co. analysis approached the problem of projecting RTC assets under management in a similar manner although the data used included the RTC's fourth quarter of 1991 operating results. Their published projections were divided into two categories, expected case and worst case. The expected case scenario was based on adding all of the Group IV thrifts to the RTC's balance sheet. Under worst case, all of Group IV thrifts plus 25% of the asset balances of the Group III thrifts were added to the RTC's balance sheet. As a result, under the expected case and worst case scenarios $177 billion and $234 billion in book value assets would eventually be transferred to the RTC's control.
Table 6 compares the Merrill Lynch and Goldman Sachs projections of book value assets that will eventually be under RTC control:

<table>
<thead>
<tr>
<th>Merrill Lynch vs. Goldman Sachs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 6</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>(Billions)</strong></td>
</tr>
<tr>
<td>Merrill Lynch</td>
</tr>
<tr>
<td>As of November 1991</td>
</tr>
<tr>
<td>Goldman Sachs</td>
</tr>
<tr>
<td>As of January 1992</td>
</tr>
</tbody>
</table>

Approximately 47% of the RTC's current inventory is hard-to-sell assets. Although a precise quantification of the proportion of hard-to-sell assets vs. projected additions is problematic, it is believed that at least 30% of the $176-$237 million of projected additions will be land, REO, non-performing loans, or investments in subsidiaries. These predictions reinforce the necessity for the RTC to privatize, as soon as possible, large pools of assets, without creating large disturbances to local markets. In addition, the projected additions should also lend support to innovative techniques of disposing of large pools of assets through securitization, multiple investor funds, auctions, and possibly real estate investment trusts.
Chapter Three
Hard-to-Sell Assets

I. Overview of the RTC's Progress to Date

In a little over 2 1/2 years the RTC has had remarkable success in disposing of more than $230 billion of its more liquid assets. However, determining how to get the best prices for its illiquid assets may be the most challenging aspect of the RTC disposition program. According to the RTC, illiquid or hard to sell assets accounted for approximately 47% of the RTC's total assets or $61 billion in book value as of January, 1992. The three major types of hard-to-sell assets are non-performing loans, REO, and investments in subsidiaries of which the majority are development companies and other entities that hold REO themselves.

Even during strong markets, the disposition of $229 billion in assets would have been very difficult. However, since the formation of the RTC the economic mood and condition of the country has deteriorated. The real estate industry in particular has been in an unprecedented recession with most markets across the nation over-built, rents falling and property values declining. [10] In addition, a credit crunch has paralyzed the financial markets especially for real estate. According to William Wheaton, a professor at MIT, "underwriting standards have been tightened to the point where loans are not made and credit is effectively curtailed. Furthermore, there have been two credit crunches: one in development lending and one in the market for refinancing existing buildings." Wheaton states that the credit crunch on development is the
best thing to happen to the real estate markets in a decade. However, the credit crunch on transactions and refinancing, on the other hand, could spell disaster by drying up liquidity, lowering asset prices and creating a financial panic. [45] In reaction to the current real estate market, new risk based capital rules, and regulatory pressure to increase capital adequacy levels, traditional providers of capital such as banks, thrifts, pension funds, and insurance companies have reduced their exposure to most areas associated with real estate. [32]

II. RTC’s Initial Attempt at Disposing of Hard-to-Sell Assets

During the first year of the RTC's existence, it had little success in disposing of its hard-to-sell assets. Besides a difficult marketing environment, the primary reasons behind the slow start can be traced to RTC policies. For example, FIRREA generally required that the RTC could not sell property in "distressed areas" for less than 95 percent of its market value. FIRREA designated six states as distressed areas, Arkansas, Colorado, Louisiana, New Mexico, Oklahoma, and Texas. In addition, the RTC initially required that market value be determined by obtaining two independent appraisals for properties valued in excess of $500,000. The RTC soon found out that strict adherence to a 95% market value standard based on appraisals would seriously impact its liquidation program, especially with hard-to-sell assets. The RTC's first effort to solve this problem occurred on May 8, 1990, when the RTC adopted a policy that would allow an asset manager to reduce a property's market value by as much as 20% below its appraised value.
The next section summarizes some of the RTC’s initiatives, both old and new, regarding the disposition of hard-to-sell assets. [4]

III. SAMDA Contracts

Initially, the RTC attempted to transfer its hard-to-sell assets to Standard Asset Management and Disposition Agreement (SAMDA) contractors. To date, over $34 billion is under management by 166 active SAMDA contractors. Historically, the SAMDA contractors have focused on management of non-performing loans and/or retail sales of single assets. They are ultimately responsible for the assets disposition which often entails exercising legal rights and remedies including foreclosure. However, Seldom does an individual SAMDA contractor have the resources necessary to conduct a wholesale disposition program. Table 7 lists the major SAMDA contractors for REO, the appraised value of assets under management, and the proportion of residential vs. commercial assets:
Table 7

<table>
<thead>
<tr>
<th>MAJOR REO SAMDA CONTRACTORS</th>
<th>Appraised Value (millions)</th>
<th>Residential %</th>
<th>Commercial %</th>
</tr>
</thead>
<tbody>
<tr>
<td>J.E. ROBERTS</td>
<td>200</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>AMRESCO</td>
<td>173</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>NORTHCORP</td>
<td>173</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>ONYX</td>
<td>146</td>
<td>26</td>
<td>74</td>
</tr>
<tr>
<td>SUNBELT*</td>
<td>89</td>
<td>26</td>
<td>74</td>
</tr>
<tr>
<td>COASTAL</td>
<td>77</td>
<td>22</td>
<td>78</td>
</tr>
<tr>
<td>FGB</td>
<td>75</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>S.C.I.</td>
<td>61</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>PILLAR</td>
<td>52</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>NUNNINK</td>
<td>45</td>
<td>62</td>
<td>38</td>
</tr>
<tr>
<td>R &amp; B</td>
<td>42</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>FAMCO</td>
<td>34</td>
<td>21</td>
<td>79</td>
</tr>
<tr>
<td>R.M.A.</td>
<td>33</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>BEI - RITZ</td>
<td>25</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>BEVERLY</td>
<td>24</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>REALCOM</td>
<td>24</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td>CRT ASSET</td>
<td>22</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>EMERSON</td>
<td>22</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>JACOBSSEN</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LOWE**</td>
<td>22</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>METEC</td>
<td>20</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>ASH</td>
<td>17</td>
<td>59</td>
<td>41</td>
</tr>
<tr>
<td>KAY KAY REALTY</td>
<td>14</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>*INSTITUTION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Banning Lewis Ranch, Colorado</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IV. Portfolio and Auction Sales

In June of 1990, the RTC announced that it would begin a program involving the portfolio sales of assets. In general, a portfolio sales involves pooling large groups of hard-to-sell assets such as REO, non-performing mortgages, and commercial mortgages in such a manner as to make them attractive to large institutional buyers. An important element of this program included the RTC willingness, if not desire, to provide
seller financing. Initially, seller financing was looked at as a last resort, to be used only after a good faith determination that the assets could not be sold within one year, on a non-recourse basis. Throughout the process, the RTC had to satisfy both the Oversight Board and Congress. Almost 12 months passed before the RTC completed its first bulk sales. The primary reasons for the delay was the RTC's inflexibility in selecting what assets would be included in the pool, what financing terms would be acceptable, and its insistence that profits from these sales would be limited in scope. Finally, after nearly 12 months of disappointing results, the RTC changed its bulk sales program to allow for more upside potential to investors. Within weeks, many well capitalized investor groups responded including GE Capital, Robert Bass, the Blackstone Group, and Charles Hurwitz (Maxxam, Inc.). Due in large part to changes in policy at the RTC, at least 14 bulk sales were completed or under contract as of November of 1991.

The first bulk sale of assets by the RTC occurred in March of 1991 when Maxxam, Inc. purchased a pool of non-performing commercial mortgages and REO multifamily properties for $122 million in cash. The pool had a book value of $300 million and an appraised value of $180 million. The Maxxam transaction, which ran into difficulty over arranging private financing, was finally financed by General Electric Capital Corporation. Table 8 summarizes these transactions.
<table>
<thead>
<tr>
<th>Buyer</th>
<th>Portfolio</th>
<th>Assets</th>
<th>Status</th>
<th>Book Value</th>
<th>Appraised Value</th>
<th>Price</th>
<th>% of Appraised Value</th>
<th>% of Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GE Capital/Robert Bass Group</td>
<td>CA, AZ Pool</td>
<td>Non-performing commercial loans, from six thrifts</td>
<td>Closed December 1991</td>
<td>$1.04 Billion</td>
<td>$725 million</td>
<td>$507 million cash</td>
<td>70</td>
<td>49</td>
</tr>
<tr>
<td>Hyperion Holdings Corporation</td>
<td>Benjamin Franklin FSA, Houston</td>
<td>Non-performing commercial mortgages in six pools</td>
<td>Closed Feb. '92. 31 bids were received from 21 bidders.</td>
<td>$485 million</td>
<td>$284 million</td>
<td>$204.6 million cash</td>
<td>72</td>
<td>42</td>
</tr>
<tr>
<td>Lloyd Goldman and Michael Sonnenfeldt Group</td>
<td>Ensign FSB, New York</td>
<td>Non-performing commercial loans and real estate</td>
<td>Closing expected in April 1992. Legal problems are holding up closing.</td>
<td>$220 million</td>
<td>$196 million</td>
<td>$41 million cash</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Buyer</td>
<td>BRW Real Estate Operating Co. (Blackstone Group, J.E. Robert Co., and Goldman Sachs)</td>
<td>Lehman Brothers</td>
<td>Sun Life Insurance Co. of America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>-----------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>Savers Savings FS&amp;LA and First Savings of Arkansas (Pool A)</td>
<td>Columbia S&amp;L of Beverly Hills.</td>
<td>Imperial FSA (San Diego)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Non-performing commercial loans and REO Properties</td>
<td>Two portfolios of adjustable rate multifamily loans.</td>
<td>Senior participation's in 130 multifamily mortgages.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status</td>
<td>Closed November 1991. Eight bids were received.</td>
<td>Closed June 1991. Six bids were received.</td>
<td>Closed April 1991. Six bids were submitted.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value</td>
<td>$124 million (originally booked at $275 million, but written down to $124 million by Savers)</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraised Value</td>
<td>$104.5 million</td>
<td>$112 million</td>
<td>$102 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>$80.5 million cash</td>
<td>$97.5 million cash</td>
<td>$98 million cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Appraised Value</td>
<td>77</td>
<td>88</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Book Value</td>
<td>65</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buyer</td>
<td>Edmundson International Inc.</td>
<td>Related Inc./United Gulf</td>
<td>Cos.</td>
<td>Blackstone Robert Whitehall Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>------------------------------</td>
<td>--------------------------</td>
<td>------</td>
<td>----------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>Resource SA and other Texas Thrifts</td>
<td>Community PSA (Comfed)</td>
<td>First Savings of Arkansas FA and Savers Savings FS&amp;L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>34 commercial and multifamily properties.</td>
<td>Non-performing commercial and multifamily mortgages.</td>
<td>76 Performing fixed rate and adjustable rate mortgages backed by multifamily and commercial properties.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value</td>
<td>$185 million</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraised Value</td>
<td>$110 million</td>
<td>$112 million</td>
<td>$41.4 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>$40 million cash</td>
<td>n.a.</td>
<td>$34.25 million cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Appraised Value</td>
<td>37</td>
<td>-</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Book Value</td>
<td>22</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buyer</td>
<td>Colson and Colson/Holiday Corp.</td>
<td>Maxxam Inc. and Commonwealth FSA</td>
<td>Transactions Funding Corporation (GE Capital)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>---------------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>Congregate Care Assets.</td>
<td>Alamo FSA and Commonwealth FSA</td>
<td>GE affordable housing purchase.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>23 non-performing retirement home loans, plus three REO properties.</td>
<td>32 non-performing loans, 26 commercial properties.</td>
<td>26 apartment complexes.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value</td>
<td>$198 million</td>
<td>$300 million.</td>
<td>n.a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraised Value</td>
<td>$98 million</td>
<td>$180 million.</td>
<td>$75 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>$101.1 million -RTC financed</td>
<td>$130.1 million cash financed</td>
<td>$75 million cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Appraised Value</td>
<td>103</td>
<td>72</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Book Value</td>
<td>51</td>
<td>43</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
VI. The GE Capital/Robert Bass Purchase

The largest bulk sale to date was made to a General Electric Capital Corporation-Robert Bass joint venture (now known as Keystone Holdings). The pool included 162 non-performing commercial mortgages and 12 REO properties with a book value of approximately $1 billion, an appraised value of $725 million, and a purchase price of $507 million in cash. The deal was an all cash deal, with no RTC financing. In addition, the RTC will not share in any profits realized by the investors, according to Bill Kelly of GE Capital Corporation. [39] The assets came from six Western thrifts: Pima Savings and Loan Association, Tucson, Arizona; Southwest Savings and Loan Association, Phoenix; Imperial Savings Association, San Diego; Gibraltar Savings, Simi Valley, California; Far West Savings and Loan

Table 8 Cont.

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Portfolio</th>
<th>Assets</th>
<th>Status</th>
<th>Book Value</th>
<th>Appraised Value</th>
<th>Price</th>
<th>% of Appraised Value</th>
<th>% of Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>AmeriFirst FSB</td>
<td>1,100 commercial properties.</td>
<td>Under contract; closing scheduled in April/May 1992.</td>
<td>$1.02 billion</td>
<td>$597 million</td>
<td>$450 million -cash</td>
<td>75</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>&quot;Rest of the West&quot;</td>
<td>59 non-performing properties.</td>
<td>Sold not Closed.</td>
<td>$160 million</td>
<td>n.a.</td>
<td>$93 million cash</td>
<td>-</td>
<td>58</td>
<td></td>
</tr>
</tbody>
</table>

32
Association, Newport Beach, California; and Capital Federal Savings and Loan Association, Aurora, Colorado. [29] The purchase price was just 48 percent of the original value of the loans and well under the $725 million the RTC thought the pool was worth, but the GE-Bass offer was still more than the four other bidding investors were willing to offer. Most of the mortgages were secured by apartment buildings in California and Arizona (75% multifamily and 25% commercial). Security Pacific National Bank served as financial advisor to the RTC managing the process from picking the mortgage assets and REO, to coordinating the prospective list of bidders and recommending a winning proposal. Prior to issuing its bid, GE Capital had spent two months performing its due diligence. [3]

According to Kate Spears, an RTC spokeswoman, "We’re trying to put larger deals together, using the portfolio method, and to sell these assets as quickly as possible. If we sell a million a day, we'd be selling well into the next century." GE Capital's decision to purchase the bad loans was based on a strategy of making money through aggressive real estate management. According to Jeffrey Rutinshauser, manager of business development for GE's commercial real estate finance group, "Sometimes it's easier to create value in assets where you know the problems than in buying performing loans at par where there's no upside." [15] GE Capital also stated that the package was "an excellent opportunity that fits into our business strategy to purchase loans at a discount and use our know-how and expertise to work through the portfolio and restructure the holdings in order to realize full value." [30]
In another transaction, Sun America Realty Partners, a unit of SunAmerica Corporation of Los Angeles and JMG Properties Inc. agreed to purchase a portfolio of RTC non-performing mortgages secured by apartment complexes in Southern California for $93 million in cash. The SunAmerica transaction called "Rest of the West" was originally included in the GE/Bass Group transaction described above, however, the loans were pulled from the GE package for a variety of reasons, including title problems. The 60 loans had an appraised value of $185 million. [42]

Only one of the 14 bulk sales utilized seller financing. The Colson & Colson/Holiday Corporation purchased a pool of 23 congregate care facilities and three REO commercial properties for $100 million. The original book value was $198 million with an appraised value of $98 million. The price was equal to 101% of the package's appraised value. The RTC financed 85% of the sales price using a seven year cash flow participating mortgage. In general, under a cash flow participating mortgage, the RTC retains an equity interest in the properties after selling them. In addition, the capital gain is split 70% RTC/30% purchaser if the properties are sold before the loan and interest is paid off. After the loan is paid off, the distribution of capital gains is reversed so that the purchaser (Colson and Colson) receives 70% of the capital gain.

One reason why seller financing has not been used more frequently is the methodology the RTC has used to compare cash offers to financed transactions. In many of the bulk sales already completed, discount rates of 14% to 25% were used to compare financed offers to cash offers. However, the use of above market discount rates for portfolios with
average life of more than one year made RTC seller-financing non-competitive. For example, assume that a portfolio with a book value of $1 billion is offered for sale. Two offers are received: an all cash offer of $500 million; and an RTC financed (85% financing), 7 year, interest only, transaction of $500 million. The RTC financed transaction would have an adjusted value of roughly $402 million using a 12% discount rate and a value of only $254 million at a 25% discount rate (NPV calculated assuming 15% equity requirement, 7 year hold, and mortgage pay rate of 8%).

According to the Resolution Trust Corporation and Merrill Lynch & Company report, out of the 14 bulk sales packages, seven have publicly available information about the original book values, their appraised values, and their sales prices. Those seven bulk sales yielded the RTC $1.1 billion for a recovery rate of 64% of appraised value. [40]

Currently, there are many bulk packages available for sale. In general, bidders are permitted to modify the asset mix of a pool within certain limits. For example, a potential investor may be able to change the proportion of loans vs. REO, performing vs. non-performing, and/or the geographic make up of the pool. However, the investor is usually not permitted to pick only the best assets since the RTC's ultimate goal is to liquidate the entire portfolio. According to sources at the RTC, it is a widely held belief that mixing "bad assets" with good assets is the appropriate disposition methodology. Table 9 is a representative sample of bulk sales packages that represent hard to sell land based pools of mortgages and REO.
<table>
<thead>
<tr>
<th>Managers</th>
<th>Initiative</th>
<th>Bid Date</th>
<th>Book Value</th>
<th>Type</th>
<th>Buyers</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kennedy Wilson</td>
<td>California</td>
<td>5/92</td>
<td>120</td>
<td>REO</td>
<td>Local</td>
<td>CA</td>
</tr>
<tr>
<td>N/A</td>
<td>California</td>
<td>9/92</td>
<td>230</td>
<td>Loans</td>
<td>Local-</td>
<td>CA</td>
</tr>
<tr>
<td>First Boston, Price</td>
<td>BEI NJ</td>
<td>7/92</td>
<td>800</td>
<td>Loans</td>
<td>90%</td>
<td>Institutional NJ, FL</td>
</tr>
<tr>
<td>Goldman,</td>
<td>Great American</td>
<td>6/92</td>
<td>900</td>
<td>Loans</td>
<td>90%</td>
<td>Institutional CA</td>
</tr>
<tr>
<td>KPMG</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Lincoln Western</td>
<td>9/92</td>
<td>1,000</td>
<td>Loans</td>
<td>75%</td>
<td>Institutional CA</td>
</tr>
<tr>
<td>Coopers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FGB</td>
<td>National Sales</td>
<td>7/92</td>
<td>300</td>
<td>3-10M</td>
<td>Local</td>
<td>TX and book value others</td>
</tr>
<tr>
<td>Secured Capital</td>
<td>Peoples Heritage</td>
<td>7/92</td>
<td>210</td>
<td>Loans</td>
<td>Local</td>
<td>TX</td>
</tr>
<tr>
<td>N/A</td>
<td>Texas</td>
<td>7/92</td>
<td>150</td>
<td>50M pools</td>
<td>Local-</td>
<td>TX</td>
</tr>
<tr>
<td></td>
<td>Competive Bid</td>
<td></td>
<td></td>
<td>REO</td>
<td></td>
<td>Institutional</td>
</tr>
<tr>
<td>First Boston</td>
<td>Florida</td>
<td>7/92</td>
<td>150</td>
<td>REO &amp;</td>
<td>Local-</td>
<td>FL</td>
</tr>
<tr>
<td></td>
<td>Competive Bid</td>
<td></td>
<td></td>
<td>Loans</td>
<td></td>
<td>Institutional</td>
</tr>
<tr>
<td>N/A</td>
<td>Local</td>
<td>7-9/92</td>
<td>150</td>
<td>1-5M book</td>
<td>Local</td>
<td>National</td>
</tr>
<tr>
<td></td>
<td>Promotional value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FGB</td>
<td>Sealed Bid</td>
<td>6/92</td>
<td>125</td>
<td>65 Assets</td>
<td>Local</td>
<td>Dallas, REO TX, NM</td>
</tr>
<tr>
<td>LaSalle</td>
<td>Land MIF</td>
<td>9/92</td>
<td>2.4 Billion</td>
<td>REO &amp;</td>
<td>Local-</td>
<td>National</td>
</tr>
<tr>
<td></td>
<td>PaineWebber</td>
<td></td>
<td></td>
<td>Loans</td>
<td></td>
<td>Institutional</td>
</tr>
</tbody>
</table>

4,135

Source: Brian Kennedy LaSalle Partners & Resolution Trust Company
VI. Reasons For Purchasing Distressed Assets

The primary reason that investors are attracted to these and other bulk sales is obviously the potential for risk adjusted profits. For example, many commercial REO and mortgages are being sold far below their replacement cost and appraised value. The investor's strategy is dependent upon the type of asset purchased. Although disposition strategies vary widely depending upon the assets particular circumstance, in general the following assumption usually hold: An investor in REO usually acquires the property, upgrades the management, physical attributes, and/or marketing of the property, and then sells or refinances the property.

Non-performing mortgages usually involve some form of work-out often with the property ending up in foreclosure. After acquiring clear title, the property is usually sold or it may be refurbished and repositioned as an earning asset. Finally, regarding certain mortgages, the terms of the loan documentation can be renegotiated to improve debt service coverage ratios, loan to value, etc. to convert the asset into a performing mortgage. [31]
Chapter Four

The RTC's Utilization of Securitization

I..Overview of the RTC's Progress Towards Securitizing its Portfolio

As part of the RTC's Bulk Sales program seeks to sell large portfolios of hard-to-sell assets such as multifamily and commercial REO, performing and non-performing mortgages, it has attempted to securitize some of these asset types. In fact, since the RTC began its public securities program in June of 1991, it has become the largest nonagency issuer in the mortgage capital markets (As shown in Table 10). Since the RTC's securitization program began, only two agencies have issued more mortgage-backed securities (MBS). According to Kenneth Bacon, director of the RTC's Office of Securitization, the RTC is now the largest issuer in the mortgage capital markets outside of the Federal Home Loan Mortgage Corp. (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). [28] During this period, the RTC issued over $15 billion of MBS's. To date, the RTC has issued securities backed by four types of collateral: 1.) Single family; 2.) Multifamily; 3.) Commercial mortgages; 4.) and Manufactured Housing.
However, not all RTC assets are securitizable. For instance, single family and multifamily assets are the easiest to securitize, but represent, out of the current asset category, approximately $32 billion or 25% of all current book value assets held by the RTC and only about $63 billion or 20% of the total book value of assets expected to be held by the RTC (see projected additions section). Performing commercial mortgages have recently been securitized. After single family mortgages, performing commercial mortgages represent the largest category of performing assets with an expected $14.6 billion of book value assets. They currently represent approximately $9.7 billion or 8% of all current book value assets held by the RTC.
II. Single Family Securitization

Out of the RTC's total inventory of assets, single family mortgages are generally the easiest to dispose of via securitization. On November 5, 1991, an internal RTC directive stated that "securitization shall be a primary and priority method of sale of all residential mortgage loans." [34] By most measures the RTC has succeeded in its attempt to securitize its single family mortgages.

As of November 1991, the RTC's inventory of performing vs. non-performing mortgages was $49 billion vs. $42 billion. Usually, the holder of performing mortgages backed by 1-4 family residences can sell these mortgages to Fannie Mae and Freddie Mac, two government sponsored agencies that would later securitize them. However, by the time the RTC takes control of the assets of a failed thrift, it has usually sold off all of the conforming mortgages to various agencies. What remains are various non-conforming, performing and non-performing mortgages. Another option for the RTC, under normal conditions, could have been to sell the performing mortgages either as whole loans (separately or in pools) or as mortgage-backed securities (MBS's). However, two primary factors prevented the RTC from using this approach. First, buyers had such a negative view of the property and mortgage markets that they demanded much higher risk premiums. Second, the normal buyers of the residential MBS product had reduced demand due to new risk based capital rules. As a result, the RTC decided not to use the whole loan market, but rather, to bundle its performing mortgages into pools to be sold off as MBS's.
Consequently, the RTC formed its own securitization program and developed a product, known as Ritzy-Maes by traders. [36]

Since the Ritzy-Maes were not backed by the full faith and credit of the U.S. government, like issues by Fannie Mae and Freddie Mac, the RTC had to obtain AA or AAA ratings so they could be acquired by institutional investors. Through a combination of credit enhancement and cash reserves, the ratings were obtained and the RTC's program has been a success with issuance amounting to $7.6 billion in 1991. [12]

III. Multifamily Mortgage Securitization

Besides the RTC's ongoing process of selling whole loans individually or in pools, it has also succeeded in creating a multifamily mortgage securitization product. Since the RTC first issued multifamily MBS's in August of 1991, it has liquidated over $3 billion of multifamily assets. The RTC's efforts to date have concentrated on securitizing its performing as opposed to non-performing mortgages.

In designing the multifamily MBS, the RTC started with its proven single-family MBS and adjusted it to fit the peculiarities of the multifamily commercial mortgages. Thus, the RTC's multifamily and its single-family MBS's are similar in several respects:

- they both are registered with the SEC
- collateral is held in trust,
- reserve funds as credit enhancements,
- they are designed to fulfill the rating agencies' criteria for AA and AAA ratings. [36]
To compensate for commercial MBS shortcomings, the RTC modified its standard single family MBS in two important ways: 1) The reserve fund was increased from 10-27% (normal for single family MBS) to 25-35% for the commercial MBS; 2) Supplemental credit enhancements were utilized increasing total credit enhancement for multifamily MBSs to 32-45%. [36] During 1991, the RTC issued seven multifamily MBSs that are known as M-1, M-2, etc. for a total issuance cost of $2.6 billion.

IV. Commercial MBS

Besides the well known RTC program of contracting with the private sector to evaluate, manage, and dispose of real estate assets, the RTC has had some recent successes in securitizing commercial mortgages. According to a Wall Street Journal article (May 7, 1992), "Investor interest in the securities is growing. The RTC has completed three deals valued at over $1.3 billion, and the prices the securities fetch have improved with each transaction." According to Michael O'Hanlon, managing director of Lehman Brothers, about $20 billion in commercial mortgage securities might be issued this year, with about two-thirds coming from the RTC. Many long-term investors believe that this may be the right time to purchase real estate securities given the combination of current depressed prices, gradual return to market equilibrium, and attractive risk return premiums."

Since the mid-1980's, experts have predicted that the market for commercial MBS's would develop. In fact, there have only been five
public transactions backed by commercial mortgage pools prior to the RTC's commencement of its commercial MBS program. The first publicly registered commercial transaction was issued by Meritor Savings Bank in 1987. The most recent non-RTC issue was done by Prudential Insurance Company in November of 1991 via a 144A private placement. The issue included 758 loans, the largest number to date. Although its development has been slower than most experts predicted, the RTC's recent efforts may provide the impetus towards expanding the market for commercial MBS's.

In February of 1992, the RTC completed its first commercial mortgage loan securitization (its first nonresidential MBS). The $497 million offering, known as Series 1992-C1, was backed by a pool of 1,160 performing commercial mortgages with an average debt service coverage ratio of 1.5 times and an average balance of $428,000. In the RTC's attempt to gain a favorable rating from rating agencies such as Duff and Phelps, Moody's, and Standard and Poor's, it structured the security in such a way that it conformed with the rating agencies standards. For instance, it included a reserve fund that amounted to 30% of the issue and total credit enhancement that amounted to 45%. [37] Table 11 summarizes the RTC's first commercial MBS offering:
A unique feature of 1992-C1 was its use of two servicers. Security Pacific National Bank was hired as Master Servicer and Equitable Real Estate Investment Management as special servicer. When any of the commercial mortgages in the pool become non-accruing, the special servicer will take control of the mortgage and design the appropriate work-out scenario. [37]

However, today less than 5% of the value of outstanding commercial mortgages has been securitized as compared to over 40% of single family mortgages. [11] In addition, the majority of commercial MBS's have been privately placed and backed predominantly by single properties or a limited number of related properties.
It wasn't until 1985 that a set of generally accepted standards was developed for evaluating the risks of investment in commercial mortgage securities (CMS). In 1985, Standard and Poor's introduced the first rating system and through 1990 had rated about $15 billion of CMS's, collateralized mostly by office and retail mortgages. There are four fundamental reasons why the CMS market has not expanded as expected. First, commercial mortgage documents are complex documents that lack standardization (unlike residential mortgage market). Second, many loans have been originated that are not ratable and thus not suitable for "plain vanilla" securitization. Third, many believe the real estate market is still well out of equilibrium as characterized by declining property values, high vacancy rates, and falling rents. As a result, substantial uncertainty still exits as to how long the decline will continue. Fourth, investors in CMS's have generally required issuers to structure the instruments in senior and subordinated levels, with the investors taking the senior tranche. Therefore, if an issuer wants to sell their subordinated position, they usually have to offer deep discounts. As a result, many mortgage holder's, including the RTC, have been unwilling to securitize their portfolio.

Another fundamental reason that securitization of commercial mortgages has been slow to develop relates to commercial MBS's risk profile. For example, with single family MBS, the most important risk is prepayment risk (the risk that mortgagor will prepay their mortgage earlier than anticipated). Credit risk or the risk of default is either not an issue or it is negligible and quantifiable. For example, many MBS are issued by Ginnie Mae, Freddie Mac, or Fannie Mae. These government sponsored
programs indemnify investors against credit risk through the full faith and credit of the United States Government. In addition, for those securities not issued by one of the three agencies just listed, the risk of default has proven to be low and has to date been handled actuarially. By contrast, the most important risk with commercial MBS is that of default (the probability that the mortgagor will not repay interest and/or principal when due). [20]

V. Non-mortgage Loans

As of November, 1991, approximately one sixth of all failed thrift assets taken over by the RTC have been non-mortgage loans ($27 billion vs. $167 billion). The majority of these loans were to consumers and covered everything from home equity loans, car loans, credit card receivables, manufactured housing loans, to unsecured personal loans. As can be seen in Table 12, the sale price of $8.1 billion represents less than half of the assets original book value.
From the RTC's viewpoint, certain types of consumer loans are not very appropriate for securitization. For example, credit card receivables and revolving credit accounts. These types of loans have an infinite life as households can draw on those credit lines in the future. Those future draws command a premium in the marketplace over and above the discounted value of the outstanding credit balances. Since those future draws will have to be funded and the RTC is not in the business of extending credit, it is more logical to sell these types of assets in the whole loan market to specialized lenders. [36]

Other types of loans, such as home equity loans, car loans, boat loans, and manufactured housing loans, have a finite life and, thus, are better candidates for securitization. For these types of assets, a cost
benefit analysis is usually made to determine the appropriateness of using securitization as a disposal mechanism. According to Merrill Lynch, with car loans there are usually thousands of lenders involved in the market and, thus, the markets are deep, liquid, and very competitive. As a result, the extra yield attributable to securitization is often not enough to cover the costs of securitization. In general, consumer loans that are good candidates for securitization compete in markets that are shallow, illiquid, and non-competitive. [36]
I. Advantages and Disadvantages

Another disposal technique that has been considered by the RTC and its investment advisors is the Real Estate Investment Trust (REIT). REIT’s appeal to the RTC because they could appeal to medium to small investors. The four basic advantages of a REIT are 1) they enable small investors to invest in large real estate entities; 2) allows the flow through of income and gains without tax at the REIT level; 3) provides diversification, liquidity of investment, and professional management, and; 4) offers corporate attributes such as limited liability and transferability of shares.

The four principal disadvantage are 1) strict rules and regulations; 2) limited tax shelters in that a REIT can pass through tax free cash, but it cannot pass through passive real estate losses to the investor. Income from a REIT is categorized as portfolio income and not as passive income, so income/loss matching is not possible. [13]

II. Basic Requirements

The following list describes the basic eligibility requirements that are currently in place for a REIT: [14]

- A REIT must be either a corporation or a business trust.
Must have at least 100 shareholders and cannot be more than 50% owned by five or fewer individuals. Shares must be transferable.

At least 75% of the assets must be in real estate or cash and cash equivalents.

Must distribute at least 95% of its income in the year income is earned or in the following year. Otherwise, the REIT loses its favored tax status.

At least 90% of the gross income must be from a passive source, and at least 75% of its gross income from real estate sources (rents from real property, mortgage interest, gains from sale, dividends or distributions from the ownership or sale of REIT's, income or gain from foreclosure property, and mortgage fees). Amounts not meeting these requirements are subject to a 100% penalty tax without loss of REIT status. Less than 30% of the REIT's annual gross income can be derived from short term gains on security sales, the sale or disposition of real property held for less than four years, and the sale or disposition of property in a transaction that is a prohibited transaction.

Not more than 25% of assets can be securities and investments in securities of one issuer may not exceed 5% of the value of the total asset and 10% of its outstanding voting securities.

No real estate dealer activities; that is, it may not hold property for sale to customers in the ordinary course of business. Any income from
dealer properties is subject to a 100% penalty tax. TRA86 relaxed this rule for foreclosed properties to allow the REIT to handle the turnaround of distressed properties, thus removing them from the portfolio in a timely manner, rather than being forced into a distress sale and the accompanying penalties. Under the "safe-harbor" provisions of the Code, the REIT may sell a property if the following conditions are met: the property was held for a minimum of four years (except for foreclosed property acquisitions), total expenditures by the REIT during the four year period must not exceed 30% of the net selling price of the property, and not more than 7 properties or 10% of the adjusted bases of the REIT's assets can be sold in one year.

- The majority of the trustees or directors of a REIT, who hold title to the property for the benefit of the shareholders, must be independent.

- Since by definition, a REIT is passive, a REIT must generally engage the services of independent contractors for all essential services, including property management within the portfolio.

III. Application of REIT's to the RTC's Hard-to-Sell Asset Category

As a disposition vehicle for the RTC's hard-to-sell assets, a REIT may be inappropriate due to its tax regulations requiring that not more than 50% of the shares be held by five or fewer individuals. This makes it difficult for institutional investors to participate. Second, the "prohibited transactions test" which imposes a 100% tax on gain on inventory properties held for less than four years and on gains on all inventory properties if the REIT has more than 7 sales or sales exceeding 10% in
any year. This poses a problem for portfolio purchasers because these investors have typically relied on a strategy of liquidating the assets purchased as quickly as possible. Third, a REIT would lose its tax status if it had sales exceeding 30% of gross income in a year. Fourth, the 95% pay-out requirement would be problematic for REIT's that intend to finance capital improvements, prior to sale, especially for REO properties.

Many REIT industry proponents have proposed various changes to the US tax code that would make REIT's more attractive to institutional investors, particularly pension funds. One proposal would eliminate the limitation on the number of sales or on the gains realized on the sale of properties acquired from Federally designated holders of "distressed properties," i.e. RTC or FDIC provided the capital is reinvested into similar types of investments. [1] In conclusion, until the RTC can obtain certain tax modifications, the probability that the RTC will use REIT's as a disposal mechanism will remain very low.
Chapter Six
Land Development

According to the RTC and its advisors, LaSalle Partners and PaineWebber Properties, the successful bidder for the Land Fund will possess extensive land development experience including expertise with performing and non-performing land loans and land REO. As a result, a general understanding of the land development process is beneficial.

I. Characteristics of the Land Development Process

Since the ownership of land is really an option on future development potential rather than a source of current income, it is not surprising that it is also the most volatile class of real estate. In the post-World War II period, investors received large gains from rising land values due primarily to tremendous population growth. In less than fifty years the population had grown by more than 100 million and the gross national product had increased by more than six fold. In contrast, during the current real estate downturn, land prices have fallen and in general, by a much larger percentage vs. other real estate asset classes. [8]

II. Land Development Process-An Overview

In general, land development is an extremely complex process involving numerous decisions and participants. The industry is highly
fragmented, localized, and competitive in nature. Very few firms have the capability to perform across all product types (residential, office, industrial, retail, etc.). In addition, the developer in the land development process is often a facilitator who hires and manages the consulting firms involved in the process such as planners, architects, engineers, contractors, etc. [5]

There are five primary disadvantages of land development. First, during the holding period there are numerous holding costs for taxes, insurance, maintenance, financing costs, site improvements, etc. which can create a significant cash drain. Second, since there is no current cash flow, profitable land development results almost entirely from the terminal value of the asset which is more difficult to predict vs. current cash flow of an income producing asset. Third, land assets typically suffer from a lack of liquidity and thin markets. Fourth, increased public scrutiny make the political, legal, and physical risks of land development greater than in the past. [33]

In its simplest terms, the land development process can be broken down into five phases:

1. **General assessment of Development Environment.** The first step in this stage should be an assessment of the demand by product type (residential, office, industrial, retail, etc.). Projections of population growth, household formation, income growth, savings, and employment trends are made. Second, an assessment of supply of product type along with the determination of supply constraints. Third,
projections of demand and supply are made based on employment and population growth, interest rate environment, fiscal and monetary policy, tax law changes and overall economic outlook. Fourth, a determination of construction costs, land prices, and land availability is made. Profitable opportunities are identified along with the current pattern of land use and development controls. [9]

2. Site Analysis: Typically, once the land development entity has completed its general assessment of the development environment, the next task is to locate a parcel of land in the area where demand exceeds supply, where land prices enable the developer to achieve the desired level of profitability, and where land use controls will not overly hinder the process. Land developers often use local real estate brokers, however, they often work directly with the owners of a specific parcel.

Once a site is identified as being suitable for a certain type of use, an assessment of its infrastructure requirements is made. The availability of water and sewer, electrical power, roadway capacity, etc. are analyzed. A physical examination, at this point, will lead to more accurate estimates of the cost of land development. Soil types, gradient, presence of contamination, and drainage can all significantly impact the development's feasibility and profitability.

Based on the demand and supply information obtained in step 1 and the cost estimates, selling prices, absorption rates, and development risks for a specific site, a financial analysis can used to determine the
maximum purchase price for the parcel. It is important to note that the process described is very dynamic, thereby causing developers to constantly reevaluate their strategies towards land development.

3. **Acquiring Title and Development Rights:** During this stage, the developer focuses on resolving as many uncertainties as possible (zoning, subdivision approval, availability of permits, curb cuts, financing, etc.). Normally, a developer will prefer to freeze the parcel, usually via an option agreement, while uncertainties are resolved. An option gives the developer the right to purchase the site on or before a certain date for a specified price.

Assuming the developer is satisfied with the site, a detailed development plan is completed and the process of obtaining the needed approvals and permits is begun. After a final assessment of project costs, revenues, and cash flow has been completed, a formal financing proposal is made to various lenders. After approvals and financing are obtained, the developer will exercise the option and start development of the project. [27]

4. **Production and Marketing:** This stage involves the completion of infrastructure and project along with the marketing of the lots or space for sale or lease.

5. **Project Management and Maintenance.** Depending upon the type of development, the developer may often be responsible for ongoing...
project management and maintenance. For example, a residential developer that creates a large subdivision and sells off the lots may still be responsible for maintenance of common areas like club houses, parks, and open space.
Chapter Seven
Case Study: RTC Land Fund

I. Introduction:

Due to the significant difficulties of disposing of illiquid land assets, the RTC has been exploring new methods of disposition. LaSalle Partners/PaineWebber Properties (LPW) have been retained by the RTC as financial advisors for soliciting and evaluating proposals for disposing of land loans and land REO. A primary function of LPW has been to assist the RTC in the selection of a portfolio of land loans and REO which reflects the preferences of the market as balanced by the objectives of the RTC. This has entailed preparing an updated inventory of RTC land loans and REO and conducting numerous investor meetings. This chapter summarizes the RTC's inventory of hard-to-sell assets, analyzes the unique aspects of selling these assets, compares the proposed disposition vehicles, and concludes by describing the proposed Land Fund's primary components including portfolio size and content, financial structure, and timing.

Currently, the RTC has approximately $14 billion (book value) of land loans and $7 billion (book value) of land REO in its inventory. Although the RTC has made significant progress in disposing of more than $230 billion of its more liquid assets, land has proven to be the least liquid and most difficult asset class of RTC real estate. Figure 5 depicts the mix of RTC land loans and REO:
Of the approximately $21 billion book value in land assets, two-thirds is in land loans, the vast majority of which are non-performing. Roughly 50% of the land assets are in Texas alone with another 40% located in California, Colorado, Arizona, and Florida. As Figure 6 illustrates, the land REO is heavily concentrated in the Southwestern and Western regions:
The RTC's land assets include large residential subdivisions, farmland, multi-family sites, as well as land zoned for commercial and industrial uses. Figure 7 shows the breakdown of land between unimproved and improved residential and commercial land:
To date, the RTC has not completed a detailed asset analysis of its land loan portfolio. However, it is believed that the composition of the loan portfolio is similar to that of its REO. Currently, the RTC is investigating and ranking all land loans for inclusion in the first Land Fund. In general, the land loans, both performing and non-performing, are likely to be found in one of four areas.

1. Asset Disposition Departments of the RTC. Each RTC regional office has an asset disposition department responsible for the management of both performing and non-performing land loans. Despite the title, the Asset Disposition Departments are primarily responsible for on-going management.
2. **Savings and Loan Institutions.** Many loans are still being managed by the savings and loan (S&L) institutions. If the institution is in the early stage of its failure (conservatorship), asset information will probably be available from the S&L’s employees. Once the S&L moves into receivership, the RTC takes over the management of the assets. Then, during the final stage of the dissolution process (known as consolidated receivership), the institution has been closed and the data file distributed elsewhere.

3. **Servicers** Utilized mainly for the servicing of performing loans or loans that are generating cash. Servicers collect and record income for the RTC until the loan can be liquidated.

4. **SAMDA Contractors** These organizations typically manage non-performing loans and are charged with their disposition. Standard Asset Management and Disposition Agreement (SAMDA) contractors are required to prepare detailed reports on the real estate asset with significant detail and a proposed disposition plan. [19]

II. **Unique Aspects of Selling RTC Land**

Compared with other liquidation programs used by the RTC, land assets will require new approaches to disposition. For example, land assets typically produce no current income until a unit is sold. Second, carrying costs such as taxes, insurance, maintenance, legal, etc. are usually not supportable through current cash flow whereas the commercial
and multifamily portfolios sold to date by the RTC typically have current cash yields of 10%. Third, seller financing by the RTC would impose large and long running administrative burdens on the RTC because of the need for lender approvals and releases for lots, sales, zoning, etc.

Fourth, securitization of all but the best assets is currently unachievable due to the lack of cash flow and the uncertainty of the residual value. Fifth, third party financing is very difficult to arrange for the same reasons. Finally, realizing value from the RTC's land portfolio will require active third party management.

III. Objectives of the RTC Land Initiative:

There are at least six primary objectives of the RTC’s Land Fund initiative.

• The RTC seeks to privatize a sizable portion of its hard-to-sell land assets in a timely manner. The first Land Fund is a planned offering of $2-$4 billion of book value assets representing 10%-20% of the RTC's total book value land assets.

• The Land Fund will result in the transfer of significant administrative and financial responsibility of management intensive assets to the private sector and, thus, minimize detailed RTC involvement. The winning sponsor/investor is expected to provide expertise in managing, developing, and disposing of distressed real estate assets.

• The RTC seeks to access new major sources of capital for land assets.
• The Land Fund will utilize the portfolio or pooling strategy to aid in the liquidation of less desirable assets by combining them with higher quality assets, thus maximizing its overall recovery performance.

• To hedge against potential errors and omission in the valuation process of land assets, the RTC will retain an equity interest or other mechanism that will allow it to share in any potential upside.

• To mitigate, to the extent possible, the potential negative market effects of a large scale disposal program. Since the RTC's formation, real estate experts have been predicting that an unsystematic bulk sale of RTC assets could potentially devastate many local and/or regional real estate markets. They also predicted that undisciplined asset sales would severely damage municipalities and local governments because of depressed property values and concurrent reductions in tax revenues. [43]

IV. Overview of Proposed Disposition Vehicles:

To achieve the RTC's broad objectives described above, several Land Fund financial structures were analyzed as to their effectiveness. The RTC is willing to consider a variety of Land Fund financial structures. Although the RTC and its advisors have analyzed different financial structures, it will remain open to any effective structures that are proposed during the bidding process. The following descriptions of Term,
Bridge, and Step Rate Residual Financing are based on various RTC portfolio sales that have closed or are in the process of settlement:

1. **Basic Term Debt Structure**

   The RTC is willing to provide financing up to 75% to 85% of the acquisition price. Due to the high carrying costs and anticipated low to negative cash flow, low coupon debt, accrual financing, and/or a cash flow mortgage may be required. A cash flow mortgage requires the mortgagor to pay interest as available from cash flow, thereby greatly reducing the risk of default.

   A typical term loan that the RTC has already used matured in five years and paid interest at a fixed rate of 7% current; or, 8% (5% current, 3% accrued) at the purchaser's option. The loan was subordinate to future financing for a specified listing of assets with anticipated development within three years. Future financing was limited to an amount up to 50% of the allocated acquisition price so long as the cash downpayment was increased. In general, the percentage of equity to total project capitalization could not be diluted below the original equity downpayment as a percent of original acquisition cost.

   In developing financing terms, the RTC found that potential bidders viewed subordination of RTC financing as a critical element. The bidders believed that without subordination, additional acquisition and development financing for needed improvements and infrastructure costs would be extremely difficult to obtain.
2. Participating Debt

Assuming that the RTC is willing to provide a substantial amount of seller financing and is liquidating the land assets in an aggressive disposition program at a time of price weakness, the RTC will likely demand that it have the ability to share in any potential upside to the transaction. Like the basic term loan discussed above, the RTC has used participating debt structures before. In general, cash flow is first allocated to the RTC to pay interest, then accrued and unpaid interest, then to repay principal outstanding. Second, excess cash flow will be applied to the downpayment. Regarding the participating loan, upon maturity of the note, any residual value attributable to the properties will be divided 80%/20% to the benefit of the investor. Table 13 summarizes the two financing options:
<table>
<thead>
<tr>
<th></th>
<th>5 Year Fixed</th>
<th>7 Year Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Rate</strong></td>
<td>7% fixed, or 8% (5% current, 3% accrued)</td>
<td>An escalating interest rate beginning at 3% in year one, 4% in year two, 5% in year three, 6% in year four, and 7% in year five and thereafter.</td>
</tr>
<tr>
<td><strong>Minimum Amortization</strong></td>
<td>Interest Only</td>
<td>Interest Only</td>
</tr>
<tr>
<td><strong>Pay Rate</strong></td>
<td></td>
<td>2% in year 1, 3% in year 2, 4% in year 3, 5% in year 4 and thereafter.</td>
</tr>
<tr>
<td><strong>Maximum Loan to Acquisition Price</strong></td>
<td>80%</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Subordinate to Future Construction Financing</strong></td>
<td>Yes. For a specified listing of assets with anticipated development within three years in an amount up to 50% of the allocated acquisition price with an increase in the cash downpayment in an amount so the percentage of equity to acquisition price does not decline.</td>
<td>Yes. For a specified listing of assets with anticipated development within three years in an amount up to 50% of the allocated acquisition price with an increase in the cash downpayment in an amount so the percentage of equity to acquisition price does not decline.</td>
</tr>
<tr>
<td><strong>Participation Terms</strong></td>
<td></td>
<td>Gross revenue is first allocated to the RTC to pay current interest, then accrued and unpaid interest, then to repay principal outstanding. Second, to repay the downpayment. Upon maturity, the value of the properties will be divided 80%/20% to the benefit of the investor.</td>
</tr>
<tr>
<td><strong>Loan Prepayment</strong></td>
<td>Prepayable at any time without penalty at par.</td>
<td>Prepayable at any time at par plus 20% RTC participation.</td>
</tr>
<tr>
<td><strong>Loan Extensions</strong></td>
<td>One two year extension with a fee of 2% assuming the principal amount outstanding does not exceed 50% loan to allocated assets.</td>
<td>One three year extension with a fee of 2%.</td>
</tr>
</tbody>
</table>
3. Joint Venture

Similar to the participating debt structure, the joint venture (JV) alternative also allows the RTC to share in any potential upside. From the Land Fund investors point of view, the main difference between the JV alternative and the participating mortgage is that the JV structure gives the RTC more flexibility in regards to subordinating its position to that of the Land Fund investors. This accomplishes two things. First, it reduces the Land Fund investor’s risk level significantly. This is especially important with land assets that offer little current return and substantial market uncertainty. Second, it allows the Land Fund investors a greater opportunity to obtain additional financing for infrastructure improvements, entitlements, rezoning, marketing, etc.

The following are examples of two different potential JV arrangements that the RTC has considered appropriate for a land based asset pool consisting of $2-$4 billion in book value assets with an imputed or derived value of $1 billion:

**Equity Contribution by Land Fund Investors.** $200 million cash equity contribution, a portion of which may be escrowed to fund land carry costs.

**Scenario 1**

The allocation of cash flows would be 70% investors/30% RTC until return of capital to investors. This formula means that the investor will receive a full return of equity (on a non-discounted basis) provided the portfolio sells for at least 29% of imputed market value.
**Scenario 2**

The allocation of cash flows would be 50% investors/50% RTC until the Land Fund investors receive a compounded return of 15%-20%. Assuming an average disposition period of three years, this formula means that the investor would receive a 15%-20% compounded return provided the portfolio sells for at least 38%-44% of imputed market value.

**Scenario 3**

The allocation of cash flows would be 30% investors/70% RTC until the RTC receives 85% of imputed market value and a 10-15% return on its imputed investment. Thereafter, the split would be 50%/50%.

4. **Credit Enhancement**

The RTC has also considered providing various types of credit enhancements to a portion of the investor equity or any third-party indebtedness. By providing a credit enhancement, the RTC could receive close to 100% of the market value land assets in cash at closing. Furthermore, use of a credit enhancement could also be used instead of the participating mortgage discussed above. This could be attractive to tax-exempt investors such as pension funds, colleges, universities, charitable and religious organizations, etc., that are concerned with unrelated business taxable income (UBTI) issues.

In general, tax-exempt entities do not want to pay taxes and certain transactions that can be classified as UBTI give rise to taxes. UBTI is gross income derived by a tax-exempt entity from any "unrelated trade or
business" regularly carried on by it, less allowable deductions. An unrelated trade or business is basically any trade or business that is not substantially related to the tax-exempt entity's tax-exempt purpose. The following are brief guidelines that are helpful in understanding and applying UBTI rules:

- **Qualified Trusts.** Even though the purpose of a pension fund that is a qualified trust is to accumulate, preserve and invest pension moneys, the IRS Code states that any trade or business is deemed to be unrelated for a qualified trust.

- **Partnership.** When a tax-exempt entity invests through a limited partnership, the Code applies a "look through" test. As a result, the Code assumes that each trade or business that the tax-exempt receives income or losses from is deemed to be conducted directly by the tax-exempt investor. In addition, for publicly traded partnerships, the tax-exempt investor's share of partnership income and losses results in UBTI regardless of the activities of the partnership.

- **Safe Harbors.** Certain types of income are excluded from UBTI including certain rental income, certain interest, dividends, annuities, and capital gains.

- **Leverage.** Even though an investor may fall under the Safe Harbor rules, if the investment is made with leverage UBTI will apply. In general, a real estate investment will generate UBTI if the acquisition or improvement is financed by (1) acquiring the property subject to existing financing, (2) obtaining pre-closing or closing financing, or (3) obtaining post-closing financing that was reasonably foreseeable at the time of acquisition or improvement.
Potentially, the use of participating or accrual financing gives rise to UBTI because Internal Revenue Code UBTI regulations state that there can be no debt on the property under which the amount or timing of any payment is dependent, in whole or in part, on any revenue, income, or profits from the property. [7]

V. LaSalle and PaineWebber’s Strategy for Liquidating Land Assets

After a careful analysis of the various financial structures discussed above, LPW and the RTC has decided that a private limited partnership (limited to sophisticated investors and institutions) may be the most advantageous disposition vehicle for the RTC. However, as stated before, bidders are free to devise alternative financial structures that inure to the RTC’s benefit. These will be evaluated during the bid review process detailed in a subsequent section.

In a private limited partnership, the RTC, as limited partner, will contribute performing and non-performing land loans and land assets (REO) for a partnership interest. In exchange, the sponsor/investor, as general partner, will contribute cash equal to at least 20% of the portfolio’s value. In addition, the sponsor/investor will possess extensive experience in real estate management and disposition of performing and non-performing land loans and land REO.

Based on initial research, the Land Fund may consist of assets with an approximate $2-$4 billion of book value assets and an approximate
aggregate Land Recovery Value (LRV) of approximately $500 million to $1 billion (see valuation section).

Assets in the fund will be diversified as to location, property type, and quality. It is believed that a high proportion of residential assets would generate increased investor interest vs. a pool with low concentrations of residential assets. Table 14 lists the primary steps remaining for the Land Fund initiative.

<table>
<thead>
<tr>
<th>Table 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) April 6, 1992</td>
</tr>
<tr>
<td>2) July, 1992</td>
</tr>
<tr>
<td>3) October 31, 1992</td>
</tr>
<tr>
<td>4) November 15, 1992</td>
</tr>
<tr>
<td>5) November 19, 1992</td>
</tr>
<tr>
<td>6) November 23, 1992</td>
</tr>
<tr>
<td>7) February 23, 1993</td>
</tr>
<tr>
<td>8) March 9, 1993</td>
</tr>
<tr>
<td>9) May 10, 1993</td>
</tr>
<tr>
<td>10) July 9, 1993</td>
</tr>
</tbody>
</table>
VI. General Background:

The assets were aggregated by the National Sales Center from a number of RTC receiverships or conservatorships in response to investor demand for a transaction containing large land assets.

Land loans and REO have proven to be the least liquid and most difficult asset class held by the RTC. As the RTC has sold off its more liquid assets through securitization, portfolio sales, and auctions, land has become almost 20% of the RTC's total asset base. The RTC's land assets represent approximately $20 billion in book value. Two-thirds is in land loans (the vast majority are non-performing) and one-third is in REO. Approximately 50% of all land assets are in Texas alone with California, Colorado, Arizona, and Florida accounting for almost another 40%.

The RTC land portfolio includes large residential subdivisions, multi-family sites, ranch and farmland, as well as land zoned for commercial and industrial use. Assets are in various stages of marketability from very marketable assets to assets that have little value due to their difficult locations and uncertain or extended time frame before development would be economically feasible.

VII. Due Diligence Process:

Due diligence will be performed on each asset to support the closing conditions relating to the mortgage loans and land REO included in the private limited partnership agreement and to assure that adequate and
complete information is available to determine the land recovery value of the assets, set a reserve, and gain the interest of the maximum number of investors. Three due diligence task orders will be created based on the assets geographic location (Southeast, central-south west, and western region).

The due diligence contractors will review every loan file, inspect every property, create summaries of the findings with respect to each loan, create a data base and compile a Detailed Information Packages (DIP’s) and Investor Files. The due diligence/valuation process will include:

1) Examining the mortgage, note, title policy, insurance, appraisal, title work, all other pertinent information and correspondence; estimating current operating income.

2) Obtaining and analyzing current operating statements, cost reports and other information relevant to the underwriting of the assets.

3) Calculating the Land Recovery Value (in accordance with the modified Appendix H, the RTC Valuation Methodology for Portfolio Sales distributed March 16, 1992).

4) Determining the completeness of the files and creating listings of deficiencies. The property inspection procedure included site observations and visits, photographs of the property, a market survey, and site visits of comparable properties.
VIII. Valuation Methodologies:

The due diligence contractor will value the assets in accordance with the modified version of Appendix H, the Land Recovery Value (LRV), of the RTC Valuation Methodology for Portfolio Sales dated March 16, 1992.

Three methodologies will be used to forecast cash flows of assets in the RTC Land Fund. Then a "Land Recovery Value" (LRV) will be computed by the RTC's Due Diligence Contractor(s) and Financial Advisor in order to allocate the bid price among the assets in each pool and to determine a repurchase price in the event that any loans or REO are repurchased by the RTC as a result of certain defects.

The "Real Estate Cash Flow Methodology" is used to value REO properties. It utilizes a sales comparable approach to estimate the Gross Sale Proceeds in the assumed year of sale and reflects both the costs and risk associated with carrying the land until the Disposition Date.

The "Loan Cash Flow Methodology" is used in the valuation of performing loans. This methodology computes the present value of the scheduled monthly interest and principal payments of the loan through maturity discounted monthly at an appropriate discount rate.

The "Default Scenario Cash Flow Methodology" is used to value performing loans and non-performing loans which are estimated to default.
during the holding period or which are not expected to be paid off in full at maturity. It assumes that once cash flow from the property is insufficient to cover debt service, the loan may default. Depending on the timing of default, this methodology maybe used in conjunction with the two previously described methodologies.

After default has occurred and foreclosure and bankruptcy issues have been resolved, the holder of the note will receive all accumulated funds on the Recovery Date. These proceeds will be reduced by legal expenses, delinquent real estate taxes, deferred property maintenance and any senior property debt, plus interest and penalties. Subsequently, the investor will receive all property cash flows and fund any cash flow deficits until the property is sold. Under the Default Scenario, property level cash flows are still generated under the Real Estate Cash Flow methodology during the entire projection period but not incorporated into the LRV analysis until after the Recovery Date.

After the cash flows are generated using one or more of the above methodologies, an LRV is calculated using the appropriate range of discount rates. For loans that are expected to remain performing throughout the projection period, the discount rates (including servicing fees) are: a) in the 15%-17% range (about 800-1000 basis points above Treasuries) for a first mortgage; and b) an additional 200 basis points for a second mortgage or wrap mortgage. For non-performing loans and REO, the discount rates utilized fall within the 25-30% range plus or minus 200 basis points. For performing or non-performing partnership loans, an
additional 100-400 basis point premium will be added to the preceding rate. [25]

The values will be calculated for each asset based upon information available at the time of valuation. However, should a material change occur, the valuations can be adjusted. Furthermore, as updated information is obtained from the contractors, valuations may also be adjusted up to 10 days prior to bid date.
IX. Guidelines for Selecting Winning Investor Group:

Given the high probability that the disposition vehicle will be a private limited partnership, the importance of selecting a highly skilled general partner in the Land Fund is imperative. In general, there are four primary areas that each investor group (bidder) will be evaluated against. First, the ability to create a capital structure that will satisfy the RTC's objective of creating a large private limited partnership. Second, the ability to contribute significant equity of at least 20% of derived investment value. Also important will be the investor group's long term ability to fund on-going development costs.

Third, the investor group's expertise in managing land loans and land REO and in developing and disposing of land assets. This criteria will be very important since the RTC will most likely have a continuing interest in the portfolio in the form of a limited partnership interest. Since the ultimate asset pool will most likely consist of a broad mix of performing and non-performing loans, residential and commercial assets, and REO, the investor group will benefit from a broad base of skills including troubled loan workout, capital markets expertise, land development, etc. Fourth, the ability to execute the transaction within the RTC's time schedule.

X. Marketing Strategy:
LaSalle Partners/PaineWebber Properties has commenced pre-marketing activities to create awareness of the pending Land Fund disposition initiative among the targeted investor community, and to obtain information about the investment objectives of those investors. Pre-marketing has shown strong interest in a large properly structured land fund from real estate management firms, financial institutions, wealthy individuals, and residential developers.

Some of the investors contacted include Goldman, Sachs & Co., Banc One/Schottenstein, Morgan Stanley, Trammel Crow Interests, First Boston, Merrill Lynch, Aldrich, Eastman, & Waltch, Inc., and many others. In general, there is significant interest in a limited partnership or joint venture arrangement with the RTC involving a pool of at least $500 million. Many investors had strong preferences for even larger pools ($1 billion). The expected internal rates of return (IRR) varied from 20% to over 35%, however, some refused to discuss IRR’s at this stage.

Regarding portfolio mix of assets, some investors preferred exclusively residential properties while others preferred a mix of residential and commercial. In addition, some financially oriented firms seemed to prefer performing and non-performing loans rather than land REO. Furthermore, some investors definitely preferred focusing the portfolio on a certain geographic region vs. having geographically dispersed assets.

The Land Fund private limited partnership will be advertised in The Wall Street Journal, the New York Times, the Dallas Morning News, the Los Angeles Times, the San Francisco Chronicle and other local
newspapers to create awareness of the pending transactions and provide preliminary information so investors can begin to establish their levels of interest. These investors, and others from existing RTC and LaSalle Partners/PaineWebber Properties data bases, will be targeted during the pre-marketing, marketing, and follow-up stages.

In addition to the bid package, a Detailed Information Package (DIP) will be available for potential bidders. The DIP will include the following:

1. Instructions for File Review.
2. Accountant’s Letter.
3. Valuation Methodology.
4. Detailed Asset by Asset Spreadsheet (hard copy and Lotus disk)
5. Asset by Asset Analysis Package containing the following for each loan:
   a. Executive Summary and other documents.
   b. Discounted Cash Flow Valuation.
   c. Underwriting Analysis Form.
   d. Asset Fact Sheet and Document Checklist.
   e. Property Inspection with photographs (including comparable and market survey).
   f. Other relevant information (e.g. recent operating statement and cost report) if available.

Upon receipt of a Confidentiality Agreement, Deposit Agreement, and refundable deposit, the DIP will be distributed.

Additionally, investor files will be created for pre-bid investor due diligence. Potential bidders will have approximately 90 days prior to bid
date to examine the investor files. The investor files will contain the following information, to the extent available, for each loan.

1. Case memorandum or loan summary (if available).
2. Note, mortgage and other security documents including modifications and assumptions, if applicable.
3. Most recent appraisals.
5. Ground lease agreements and operator agreements, if applicable.
6. Most recent property operating statements, Medicaid cost reports and facility survey.
7. Most recent borrower financial statements.
8. Title policy or legal opinion of title.
9. Payment history.
10. Other relevant documents.

Prior to bid date, all investors will be required to qualify. To assure financial qualification, appropriate controls will be utilized to ascertain the financial resources of the winning bidder.

All qualified bidders must include a earnest money deposit with their bids. A bidder who has not provided qualification statements to the RTC will be required to include an additional amount as earnest money deposit. The winning bidder will be selected within 2 weeks of the bid deadline.
XI. **Land Fund Conclusion:**

Although the final form of disposition vehicle may still change, it is likely that the land fund will be structured as a private limited partnership structure. From the RTC’s viewpoint, the proposed Land Fund structure outlined herein will benefit the RTC in the following ways:

1. The Land Fund private limited partnership structure allows the RTC to privatize a large portion of its land assets (10% to 30% of RTC’s total land portfolio). Besides being attractive to potential equity investors, the utilization of the limited partnership structure will also allow the transfer of assets at a much higher value vs. outright sale, thus lessening the negative impact on local markets that is sometimes caused by "dumping" large amounts of assets in a short period of time.

2. Compliments other RTC land sales efforts by focusing on assets not included in other initiatives.

3. Unlike the participating debt structure, the private limited partnership structure will not require the processing of lot releases, construction draw requests, and sales approvals. In fact, the private limited partnership structure will result in the transfer of administrative and financial responsibility of management-intensive assets to the private sector and, thus, minimize detailed RTC involvement.
4. RTC will retain an equity interest in the asset pool. This will allow the RTC to share in any potential upside and hedge against potential errors and omissions in the valuation process of land assets.

5. Accesses new major capital sources for land assets.

6. Allows for the disposal of a large amount of hard-to-sell, illiquid assets, in a timely manner. In addition, through the portfolio or pooling strategy, less desirable assets will be combined with higher quality assets to maximize the RTC's overall recovery performance.

7. From the sponsor/investor, the RTC will receive a large cash infusion of at least 20% of the Land Recovery Value. In addition, the RTC will benefit from the sponsor/investor's ability to fund ongoing capital improvements and infrastructure costs. The additional investment by the general partner of time (rezoning, obtaining entitlements, marketing, etc.) and capital will increase the overall value of the asset and ultimately result in a higher land recovery value.

8. Helps maximize the total value to the RTC by enlisting a qualified private sector general partner that will provide expertise in managing, developing, and disposing of distressed real estate assets. In addition, the deal structure will ensure that the general partner contribute significant equity to the Land Fund and that appropriate mechanisms are included to ensure that the general partner stay in the partnership until the task is complete.
9. The Land Fund concept can be executed as a series of transactions over the next several quarters.
Chapter Eight

Conclusion

The economy and the real estate industry shall continue to be significantly impacted by the actions of the RTC and the FDIC. Over the last three years the RTC has disposed of over $230 billion in failed thrift assets. The tremendous amounts of assets that have flowed through the RTC will continue for at least another three years barring any significant economic turnaround and improvement in the US economy. Given this, the following conclusions are proposed:

Current Real Estate Crisis: In a macro sense, the cause of the real estate crisis is excess supply. This came about for a number of reasons. First, the Economic Recovery Act of 1981 (ERTA) changed the tax code and increased the attractiveness of real estate as an investment due to tax benefits. Second, the Garn-St Germain Depository Institutions Act of 1982 removed important restrictions on the S&L industry and, thus, allowed thrifts to begin competing in higher risk segments of the banking industry (commercial real estate lending, junk bond trading, LDC lending, leveraged buy-outs, etc.). These events were exacerbated by readily available and growing sources of real estate capital from banks, pension funds, and foreign investors and general unsound investment practices by developers.

The RTC: The organization charged with resolving all failed thrifts through disposition of their assets and liabilities is now almost three years old. In addition to the $128 billion of assets currently under management
by the RTC an additional $176 to $237 billion of S&L assets has been
projected to eventually be transferred to the RTC. This suggests that the
RTC will still be an important player in the real estate industry until at least
its legislature-imposed termination date of December 31, 1996. In fact,
many experts have projected that the FDIC may be required to adopt
many of the wholesale disposition techniques used by the RTC and
described in this thesis. However, the degree to which this will occur is
contingent upon the future condition of overall US economy.

Hard To Sell Assets. As of January, 1992, the RTC's total assets
included $61 billion of hard-to-sell assets such as non-performing loans,
land assets, REO, investments in subsidiaries, etc. This represented 47%
of all RTC assets. In general, the task of disposing of hard-to-sell assets
has forced the RTC to be more flexible and innovative than originally
envisioned. Today, the RTC is involved in auctions, bulk sales, portfolio
sales, securitization, and the new Land Fund initiative.

Since the RTC began its public securities program in June of 1991, it has
become the largest non-agency issuer in the mortgage capital markets.
Only two agencies, Fannie Mae and Freddie Mac have issued more
mortgage-backed securities. To date, the RTC has issued securities
backed by four types of collateral; single family and multifamily homes,
commercial mortgages, and manufactured housing. The RTC is also
analyzing the real estate investment trust structure for use in liquidating
its assets. However, to date, REIT's appear to be disadvantaged for use
in disposing of distressed properties.
RTC Land Fund. Currently, the RTC has over $20 billion of land loans and land REO in its inventory. It has proven to be both illiquid, costly to carry, and difficult to manage. The Land Fund is a new initiative, still in the development stage, for the disposition of large amounts of land assets in a timely manner. Through the help of PaineWebber Properties and LaSalle Partners, financial advisors to the RTC, a strategy for liquidating land assets from the RTC portfolio is analyzed with special attention given to asset selection, pricing, modeling, sponsor/investor selection, and deal structuring.

Although the final form of disposition vehicle may still change, it is likely that the land fund will be structured as a private limited partnership structure. The primary benefits to the RTC are as follows: 1) Allows the RTC to privatize a sizable portion of its land assets (10% to 30% of RTC's total land portfolio). 2) Besides being attractive to potential equity investors, the utilization of the limited partnership structure will also allow the transfer of assets at a much higher value vs. outright sale, thus lessening the negative impact on local markets that is sometimes caused by liquidating a large amount of assets in a short period of time. 3) The private limited partnership structure will result in the transfer of administrative and financial responsibility of management-intensive assets to the private sector and, thus, minimize detailed RTC involvement. 4) Allows the RTC to retain an equity interest in the asset pool. 5) Promotes access to new major capital sources for land assets. 6) Requires a large cash infusion of at least 20% of the Land Recovery Value. 7) The RTC benefits from the sponsor/investor's ability to fund ongoing capital improvements and infrastructure costs. The additional
investment by the general partner of time (rezoning, obtaining entitlements, marketing, etc.) and capital will increase the overall value of the asset and ultimately result in a higher land recovery value. 8) Provides the RTC with expertise in managing, developing, and disposing of distressed real estate assets.
REFERENCES
REFERENCES


13. Internal Revenue Code, Sections 469 (e) (1) (A).

15. Institutional Investor, Inc. "Deals of the Year" (January 1992), p 78


24. Negrin, Metin, LaSalle Partners "Valuation Summry" (7/22/92)


42. Volk, Loren C. and Erwin, F. Alex, "The RTC: Opportunities and Obstacles," *Real Estate Accounting and Taxation*, (Fall 1990), p4-13.

