

COVER STORY

Loan rangers

By BILL CRESENZO

All Adam Stein, a general contractor and construction manager, wanted was to buy an apartment and renovate it.

But, according to his broker, Billy Bluett of Citi Habitats, the process has turned into a "nightmare."

Bluett started looking for the right unit for his client over a year ago, but said a lack of capital coupled with tougher underwriting has dragged any deal out.

And although his client did sign a contact for an apartment over a month, he still doesn't have a mortgage deal signed.

"The mortgage broker has been working countless hours," said Bluett. "It has been a nightmare. We are all keeping calm, except the attorney for the sponsor who has been asking for a closing date."

Just last week, another bank rejected Stein, but not because of his financials.

"We got rejected by one bank yesterday because of the cost to cure. It needed renovation and the bank didn't want to risk the loan just in case they had to foreclose and then they'd be left with an apartment that needed a lot of work done."

It's all a long way from the halcyon days of banks virtually lining up to offer mortgages to all and sundry.

"We could have shopped this file to many different lenders," Bluett said of his client's mortgage search. "Now there are only a few banks who will even think about this," said Bluett.

Sonia Rehani, another Citi Habitats broker, has a similar story, but with a better ending.

"I had a client who was working with four mortgage lenders, all of whom promised him approval and a commitment by a certain date," she said. "None came through. Then we had to go through Wells Fargo for a four-month process to get a commitment. In the meantime, their guidelines changed, and they wanted to lend him less than they had initially promised."

Her client finally got a loan, but Rehani's and Bluett's stories are indicative of what brokers are now facing every day. While real estate has always been

a tough business, the past few months have put even more pressure on brokers and developers who are trying to move apartments in the face of rejection: banks could soon surpass co-op boards as the kings of "No."

"It's gotten a lot tougher," said



LISA FITZG

Sophie Vorburger, a broker with Prudential Douglass Elliman. "Banks would rather issue fewer loans to fewer people than assume any risk, and that's the bottom line. Your good looks won't get you anywhere."

"What we have found is that financing is available, but it's a lot harder to qualify than it used to be," said Steven Kleigerman of Halstead Development Marketing. "Buyers who have marginal credit cannot get financing. If you had a credit score of 660 to 680, which wasn't necessarily terrible, you could get a mortgage from any reputable bank. Today, you have to have a

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— SOPHIE VORBURGER, PDE

credit score of over 700."

Kleigerman said that banks aren't just scrutinizing the buyer more — they are scrutinizing the property more, too.

That's something Stein has seen first-hand. "Banks are now forced to sell off their loans to Fannie (Mae) and Freddie (Mac) which doesn't help out when purchasing a sponsor unit or any unit in need of repair," Stein said.

"I plan on doing an immediate rehab of the property. Since no major bank is able to hold escrow for a cost to cure, our hands have been tied. Rates had dropped a few weeks ago, which inundated the banks with paperwork due to the massive amounts of people looking to re-finance."

Kleigerman said that before, banks didn't "Look at every little detail. For example, there is a rule that condos and co-ops must have fidelity bond insurance to insure against employee theft. Before, banks might not have checked into that."

Now they do.

Kliegerman said brokers at Halstead now put their potential clients through a stricter vetting process before they move forward with a home search. While the brokers operate on a case by case basis, more are making sure that a potential client is pre-qualified for a loan before they even walk out the door to show them listings.

"I would never take a buyer out if I wasn't confident the buyer was financially qualified to purchase the property, but there are many brokers out there who never ask the qualifying questions," Kliegerman said.

"If the buyer had a substantial income, the bank might never had asked to see the assets, to see anything past a copy of their W-2 or 10-99. They would take it on good faith that the buyer must be very credible. Today, the banks want to see everything — your bank statements, your stock statements. They are doing due diligence fully now when in the past they weren't."

Before, some developers were reluctant to sign contingent contracts — contracts that could be cancelled if the potential buyer couldn't secure financing. Now, developers are saying 'yes' to contingent contracts, but only if they see a deposit along with a letter from a bank. Previously, if a developer did agree to a contingent contract, a deposit was usually all that was necessary.

"The bottom line is this — many banks aren't lending," said Alan Rosenbaum,



ALAN ROSENBAUM

CEO and founder of Guardhill Financial Corp.

"Most customers and real estate brokers should understand that by now. The big banks aren't lending. Real estate brokers are saying, 'Our business is terrible because the banks aren't lending.' If you rely on big banks for lending, you are in trouble."

He said that the major banks are "only doing conforming loans, they aren't doing jumbo loans and New York is a jumbo market."

In some ways, being a mortgage broker is similar to being a real estate broker — real estate brokers insist that people should not look to buy an apartment on their own. Likewise, mortgage brokers like Rosenbaum say that buyers shouldn't buy an apartment without assistance from a mortgage broker.

"The brokerage community and their customers should be seeking out the mortgage specialists," he said.

"We know which banks will lend and which banks will not lend. Many real estate brokerage companies are still receiving revenues from banks to have an exclusive relationship with the banks, so they are steering their customers to the banks because it's a part of their marketing agreement."

Very often, we hear from people who say, 'I am not sure if you can help me' ... and there are some people we just can't help.

— MICHAEL MOSKOWITZ, EQUITY NOW.

And when the potential buyer goes to the bank that brokerage house recommends, the buyer sometimes can't get a loan, he said.

"These banks aren't lending, so it's not doing the customer any good and it's not doing the broker any good," he said. "I am not saying we can get every deal done, but you should be starting with a firm like ours to lead you in the right direction."

He said that "major banks have 50 different guidelines, and if you don't meet one of the 50 different guidelines, they won't do the loan. The banks we deal with will look at the deal in its entirety and make an intelligent decision based on all the facts."

And the fact is, the smaller the loan, the easier it is to get. Lisa Fitzg, an agent with Corcoran Group, is work-

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MARKETING STRATEGIES

The great real estate give-aways

By ALICIA HARTGROVE

Sales low and inventory high, but brokerages across the city are still determined to create traffic at open houses.

One way to bring the brokers in is offering incentive and, recently, these offerings have taken on a life of their own.

From cars to Super Bowl tickets, developers have upped the ante at events specifically designed to show off space for sale or lease.

Last week Silverstein Properties raffled off a trip to the Super Bowl to brokers who came by 1177 Avenue of the Americas. The office tower is 98% leased, but Silverstein is expecting 100,000 s/f to come available later this year. Scalping sites said Super Bowl tickets were averaging \$900 each but have been valued over \$5,500.

Skyline Developers gave five brokers who attended their event at 1040 Sixth Avenue checks for \$1,040. Six brokers received Nintendo Wii systems and four others got flat screen TVs.

Skyline Developers president, Orin Wilf, said the event was "tremendously successful."

And retail queen, Faith Consolo this week offered brokers a Mini Coopre car if they get a deal signed for her

retail exclusive on Madison Avenue.

Marc Windheuser an associate broker and managing director at Prudential Douglas Elliman said that, last year, PDE raffled a \$60,000 Mercedes with a \$5 million listing.

"I personally don't have access to a lot of \$5 million customers, but that was a very impressive marketing pitch, in my opinion," said Windheuser.

Windheuser said spring is traditionally a quiet selling period. "People start pulling their magic tricks out in the spring," he said. His upcoming plans include "the standard stuff," food, drinks, maybe gift certificates.

"If you are a [broker] and have a customer that you think would like the apartment, you are going to bring them there regardless of the free food, but all you need is one person and if it was the iPod that lured them, then it's all worth it," said Windheuser.

Kenneth Horn of Alchemy Properties is taking a different approach to market his most recent development, Hudson Hill Condominium at 462 West 58th Street. Last month, Alchemy held an open house party with about 100 guests in a completed, furnished unit.

"We told brokers that we will pick up transfer taxes if a sale is made before the end of February," said Horn.

"In this day and age, paying transfer taxes is a nice incentive because buyers can't finance taxes. This way they can allocate more to down payment," Horn said. "We don't believe in giving away prizes or having

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— MARC WINDHEUSER.

bands and such. The product should speak for itself."

Horn's tactic must be working, too. He said they have had about 30 showings since the party.

Marni Salup, president of the Salup Group who represents Mark David & Company, said their new approach for boosting attendance show units are themed parties co-hosted by various high profile brands.

"We are partnering with other companies that are looking to reach the same demographic, like chefs, fine art photographers, and beauty and fashion brands," said Salup.

Mark David & Company is planning a new web site launch party in the spring with a Peruvian theme menu and, according to Salup, a top chef and photographer are already on board.



MARC WINDHEUSER

NEW LISTINGS



Corcoran's Lisa Detwiler and Ellen Newman are listing this single family townhouse on Clinton Street in Brooklyn Heights for \$3.5 million.

BROOKLYN

PARK SLOPE
20th Street
\$999,000

This 1,500 s/f three-bedroom, two-bath condo penthouse has two terraces and a private roof deck with river and

Power panel

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Barack Obama has ushered in a new era of change and optimism. “It’s time we all look to the future and not dwell on the past.”

Sunshine, did, however, bring up the past, talking about how in the 1970s, President Gerald Ford refused to sign off on federal aid when New York City was in crisis.

“Unlike Gerald Ford, who in 1975 denied federal assistance, our new president has pledged his support to New York City.”

Sunshine said that during the past two weeks, 13 contacts have been signed at The Laurel, a new condo that her company is marketing on the Upper East Side. Despite headlines developers making concessions for buyers, she said that the contracts signed with “no renegotiations.

Bistricker, too, said that sales are going well at his company’s Belltel Lofts.

“Even in this terrible market, we’re somehow managing to make sales,” he said. More than half of the apartments at the Brooklyn building are sold.

city views. The living room, dining room and open kitchen all face southwest. Large windows, Canadian maple floors, open kitchen/dining area, Canadian maple cabinets, Pietra Bedonia countertops, and GE stainless steel appliances. The 18’ wide master suite has a master bath of porcelain tiles and polished chrome Kohler fixtures. Listing Agents: **William Stephen, Jim Winters, Corcoran Group.**

LEFFERTS GARDENS

37 Winthrop Street
\$879,000

Built in 1910 and featuring 10’ ceilings, original flooring and some details.

Loan rangers

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ing with a couple with very good credit who are looking for a conforming loan, less than \$417,000.

“The mortgage broker is pretty optimistic,” she said. “He’s quoting me rates of five-and-a-quarter and, at worst case, six percent.”

Certainly, the days of getting 90 percent financing are gone — most banks won’t lend at more than 80 percent, said Elaine Diratz, a managing director at Corcoran Sunshine Group, which markets the Chelsea Modern.

And so developers are stepping things up and, in many cases, trying to plug the financial gap for buyers. The Chelsea Modern got pre-approval from Wells Fargo and recently began financing its own apartments. If a buyer wanted to

The owner can choose to live in the main house, which consists of four huge bedrooms including a master suite with a sunken seating area, a full living room, dining room and den/study and a walk-in closet. The main house also includes two full baths and two half baths and two separate staircases each leading to the front and back of the house. The carriage house has a private and separate entrance, convenient for a great office, guest house, maid’s quarters or rental income. The house also has a huge backyard and a two car garage. Listing Agent: **Beth Frazier, Corcoran Group.**

BROOKLYN HEIGHTS

182 Clinton Street
\$3,500,000

This lovely single family townhouse combines graceful Federal style architecture with all modern conveniences. The garden level houses the home’s formal dining room and country-styled kitchen. The eat-in kitchen opens out to a landscaped garden. There is a grand front parlor and a cozy media room/library with built-in cabinets and a bar overlooking the garden. The master bedroom has an attached dressing room and spa-inspired bathroom. The top floor has a full windowed bath, two massive bedrooms and a smaller room, currently with built-in custom cabinetry. The home has a 3-zoned central A/C, a new gas furnace, new circuitry, an alarm system, floor-to-floor intercoms, and satel-

purchase \$1.285 million apartment — the cheapest at the Chelsea Modern — and only has 10 percent to put down, the Chelsea Modern will finance the other 10 percent.

“More important than ever for the real estate broker is the expertise of the lender,” said Michael Moskowitz, president of New York-based Equity Now. “The lender should be creative, which used to mean fraud — now creative means being really intelligent and knowing what you are doing.”

However, no matter how much creativity and know-how is involved, there are some people who just can’t get a home loan.

“Very often, we hear from people who say, ‘I am not sure if you can help me . . . and there are some people we just can’t help.’”

lite Direct TV. Agents: **Lisa Detwiler and Ellen Newman, Corcoran.**

DUMBO/VINEGAR HILL

100 Jay Street, Apt. 10E
\$715,000

A mint, bright, 800 s/f, one bedroom with a 60 s/f balcony, this home offers open city and bridge views. Designed by renowned Andres Escobar, the apartment features an open chef’s granite and stainless steel kitchen, a spa-style marble bath with a double sink vanity, a soaking tub and stall shower, high ceilings, hardwood floors and oversized windows. A washer/dryer in the unit. The J Condo is Dumbo’s tallest luxury high-rise. Amenities include 24/7 doorman, concierge, fitness center, media room, roof deck, children’s playroom, onsite garage, and individual storage. Listing Agent: **Flora Resnick, Corcoran Group.**

BAY RIDGE

Senator Street
\$929,000

Light-filled and exquisitely maintained, this two-family, brick, semi-detached townhouse consists of a three-bedroom rental apartment, currently occupied, and a beautiful three plus bedroom owners’ duplex that includes an elegantly renovated attic space, perfect for guest quarters or a home office. A finished basement and huge garage complete the picture. Listing Agent: **Carol Graham, Corcoran Group.**

MANHATTAN

UPPER WEST SIDE
120 West 72nd Street
Apt #12Fl
\$9,995,000

Seven-bed, six bath designer loft-style duplex condo with a private elevator that opens on to both floors of the 4700 s/f home at The Harsen House. Terrace offers city views. This brand new home was custom designed with flexible layout. It takes up a full floor-and-a-half of The Harsen House, a new full-service luxury boutique condominium. Floor-to-ceiling sound-insulated windows, six flexible bedrooms, six full baths w/ multiple living spaces. Interiors, designed by Andres Escobar, are loft style and feature Cook’s kitchens by Snaidero, hardwood flooring, luxury bathrooms. Three fireplaces, large south-facing terrace. Home pre-wired for a high-end sound system and four-zone CAC. Listing agents: **Deanna Kory and Meghan Kelly, The Corcoran Group.**

Rise ’n shine in Bed-Stuy

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The population continues to become more diverse as people seek affordable housing markets on blocks of handsome brownstone town homes.

Transportation to Manhattan is convenient with the express service of the A train. Buses and the G train run throughout the neighborhood with easy access to downtown Brooklyn, where you can find every kind of shop and restaurant.

Bed-Stuy is not only people-friendly but dog-friendly, too. Parks, including Fulton Street, make for some pretty green areas. Tompkins Avenue Park holds musical performances in the summer. The area is expected to house more performance spaces in the next

five years, but the occasional jazz performance does take place at Solomon’s Porch on Halsey and Stuyvesant Avenue.

Restoration projects lead in development, but a few new condominiums have popped up, including The Lofts at Dekalb, a 32-unit building, and the newest addition will be The Shelton, an 89-unit co-op slated to be completed summer 2010.

“A lot of the time, you don’t see something happening, but there are always restorations going on,” said Ross.

Sam Heskell, executive vice president and founder of HMS Associates, a Brooklyn-based real estate appraisal and consulting firm, said that when the real estate market took a hit last year, the neighborhood saw a high rate of

foreclosures; 18% of transactions were distressed sales.

Heskell said the average sale in 2008 was a two- to four-family home around \$480,000, but in 2007 the average was \$600,000. Three-story brownstones are currently on the market for \$650,000 to \$800,000. Most of these homes have high ceilings and original molding with stained glass doors and interior windows.

Ross said, “You can buy brownstone that would cost \$11 million in Manhattan or \$6 million in Brooklyn Heights for about \$1 million in Bed-Stuy.”

Lois Thompson, an agent for The Corcoran Group and Bed-Stuy resident for the last six years, said, “When people come to Bed-Stuy, they come

because, financially, they have to, but they are pleasantly surprised because it is a nice community.”

“Rentals are hot,” said Thompson.

“I find people coming to Bed-Stuy to rent who want larger apartments and beautiful detail. A nice one bedroom in a brownstone ranges from \$1,000 to \$1,300 a month and duplexes rent around \$2,200 a month.”

No doubt the price attracts a lot of new buyers. Heskell said Brooklynites from Clinton Hill, Bushwick and Williamsburg are getting priced out of their neighborhoods and moving to Bed-Stuy.

Notable natives include Hip-hop artists Jay-Z, Mos Def, Dead Prez, the late Biggie Smalls aka The Notorious B.I.G., Hip-hop group Junior M.A.F.I.A., actor/comedian Chris Rock, and heavyweight champion Mike Tyson.