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Program targets real estate

New loans just in time

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The Federal Reserve announced a commercial real estate lending program Friday that could come in the nick of time for Louisiana.

One expert said Friday that, because of lending cycles, commercial property built within the last decade along the Interstate 10/12 corridor will see increasing financial pressure the next few years.

Marty Mayer, president and chief executive officer of Covington-based **Stirling Properties**, said the issue is one of timing. Numerous commercial projects along the corridor were funded earlier in the decade and face refinancing, beginning this year and well into 2011.

Faced with making large refinancing payments in a tightened credit market, some developers could be forced to hand their projects back to lenders.

The Fed's program, expected to launch in June, seeks to resuscitate the market for securities backed by commercial real estate loans.

The goal of the Term Asset-Backed Securities Loan Facility is to boost the availability of commercial real estate loans. TALF also is meant to help prevent defaults on commercial properties such as office parks and malls and make it easier to sell distressed properties, the Fed said.

Those were the kinds of property in south Louisiana that could run into problems, Mayer said, though his comments were not in reference to TALF specifically.

If developments are finding trouble finding tenants to generate income, "there's going to be some problems," he told attendees of the Louisiana Realtor Land Institute's annual conference.

Like other experts, **Mayer** said the lingering economic recession has not been felt as deeply in Louisiana. He cited, real estate

for example, statistics showing how employment has remained steady for the state overall and retail spending has increased in many metropolitan areas in the 10/12 corridor.

But credit markets have seized up. Even if developers can get refinanced, Mayer said, the projects are likely to be valued less.

TALF has the potential to generate up to \$1 trillion in lending for homes and businesses.

Fed Chairman Ben Bernanke warned lawmakers on Capitol Hill in March of a “looming crisis” in which owners of shopping malls, hotels and rental properties, among others, would be unable to refinance or to pay for new construction.

In announcing TALF on Friday, the Fed said that in mid-2008, the market came to a standstill for commercial mortgage-backed securities — a market that accounted for almost half of new commercial mortgage originations in 2007.

TALF will make five-year loans available to investors that want to buy securities backed by student loans and loans guaranteed by the Small Business Administration, the Fed said.

A total of \$100 billion could have the five-year maturities, the Fed said. Those and all other loans under the TALF are now for three years.

Also starting in June, the Fed will offer loans to investors that want securities backed by insurance premium finance loans, which small businesses use to get property and casualty insurance.

Those loans also have become more expensive and more difficult to get since the shutdown of that market last fall, the Fed said.

Created by the Fed and the Treasury Department, TALF has gotten off to a rocky start. It has been hobbled by rule changes, investor worries about financial privacy and fears that participants might become ensnared in an anti-bailout backlash from the public and Congress.

On the \$200 billion consumer-lending part of the program, investors use the money to buy newly issued securities backed by auto and student loans, credit cards and other debt.

However, just \$1.7 billion in loans was requested for the second round of funding in April — down from \$4.7 billion in March.

Mayer said Friday that when lenders take over commercial property, they typically make improvements — cosmetically or with vacancy rates — before selling them, often at a discount.

The Associated Press contributed to this story

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