



# **AAPL EMERGENCY MEETING**

## **PRIVATE LENDING INDUSTRY BEST PRACTICES FOR PAYMENT DEFERRAL REQUESTS**

AMERICAN ASSOCIATION OF PRIVATE LENDERS

## EDDIE WILSON



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# WELCOME

**Update your AAPL Member Profile; Borrowers are Checking for Lenders now More Than Ever**

<https://aaplonline.com/member-dashboard/>

<https://aaplonline.com/covid19/>

Register for FREE private lender-gearred COVID-19 virtual events

Find curated videos and articles on market outlook, planning & strategy, operations, and distressed assets

We will update regularly as we generate content and receive material from our partners

TOORAK CAPITAL PARTNERS

**JOHN BEACHAM**



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# TOORAK'S APPROACH

ALPHA FLOW

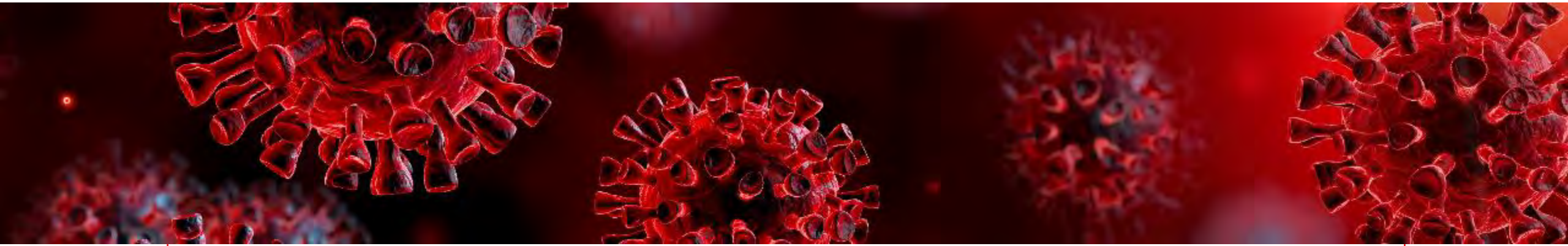
**RAY STURM**



ray@alphaflow.com

# ALPHA FLOW'S APPROACH

# STATE OF THE MARKET



## Unprecedented Demand for Payment Deferrals

**MBA Reported Forbearance Requests Grew:**

- 1270% Between 3/2-3/16
- 1895% Between 3/16-3/30

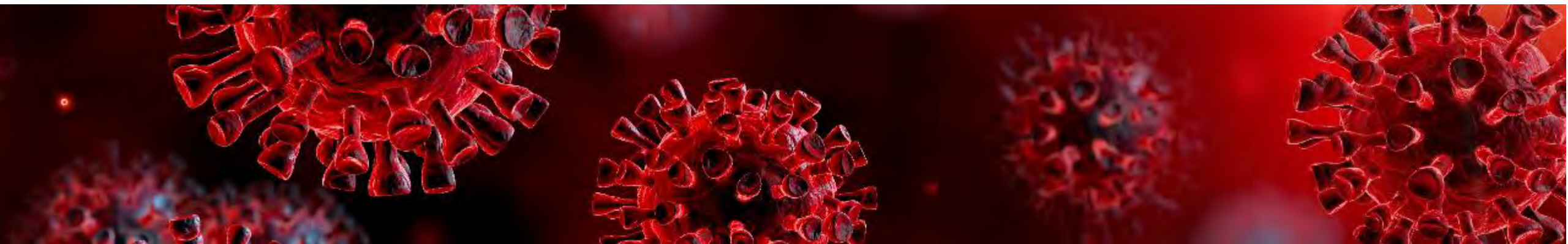
**Share of Loans in Forbearance Grew From .25% to 2.66% Between 3/2 and 4/1**

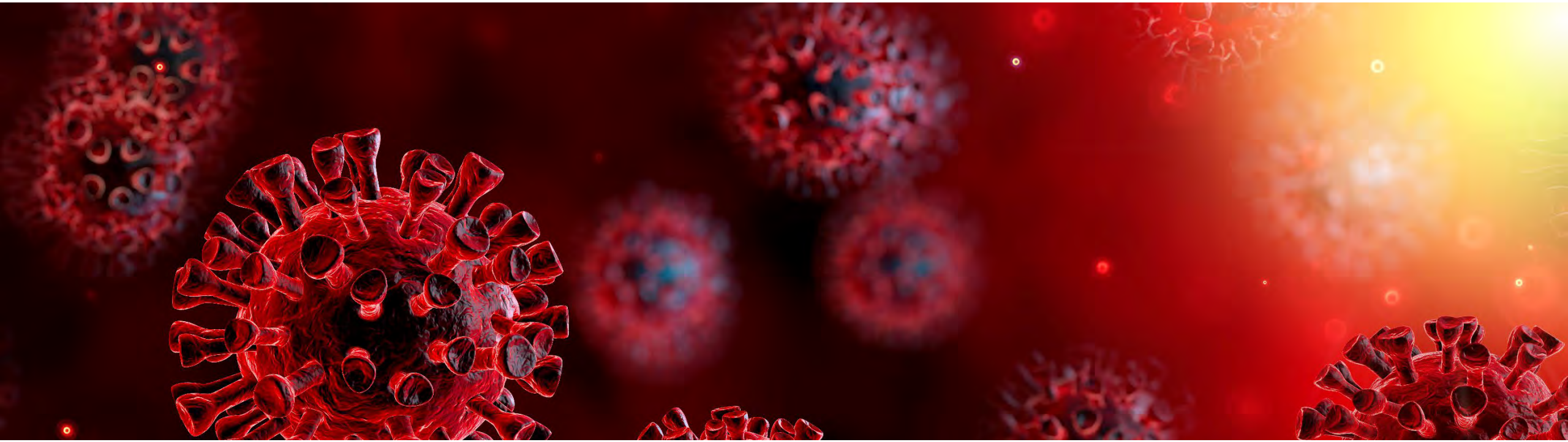


# FHFA Issued Moratorium on Foreclosures and Evictions for 60 Days From 3/18

## CARES Act Requires FHFA to Suspend Payments

Homeowners unable to make their mortgage payments resulting from the impact of COVID-19 may be eligible for a mortgage forbearance plan to reduce or suspend their mortgage payments for up to 12 months. This assistance is available to homeowners with single family or condominium mortgages owned by Fannie Mae or Freddie Mac (the Enterprises) regardless of whether their property is owner occupied, a second home, or an investment property.





# INDUSTRY RESPONSE SO FAR:

## Every Man and Woman for Themselves

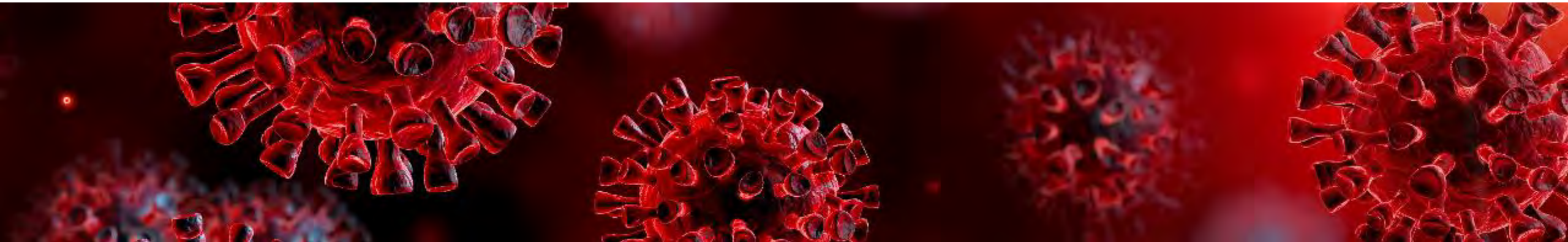
# There Will Be a Regulatory Day of Reckoning Related to COVID

**Regulators Do not Realize Size and Scope of Non-Bank Lenders and Impact We Have**

Out of the Last Recession Came:

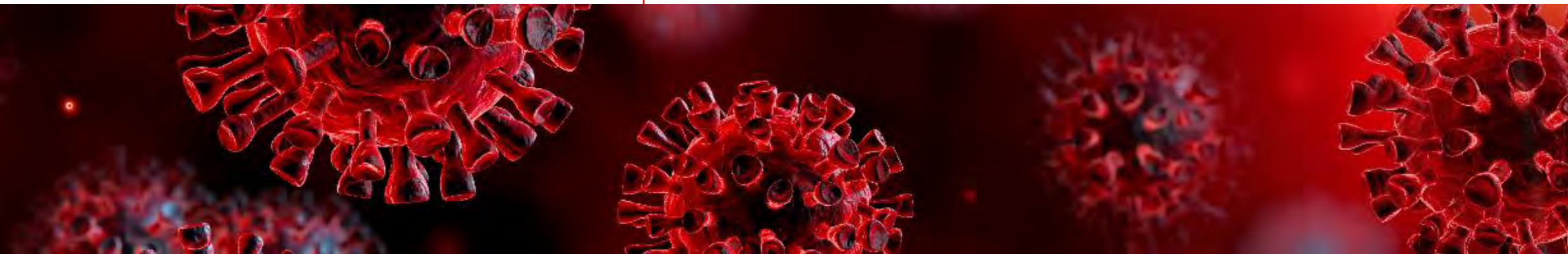
- Dodd Frank
- Safe Act (Still Triggering Licensing Issues)

**We Must Be More Coordinated – In Our Own Self-Interest**



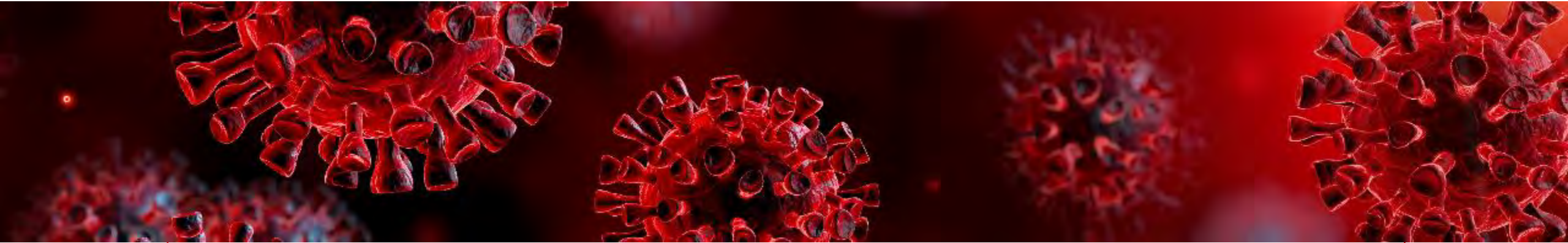


# WHAT IS THE BEST PRACTICE FOR OUR INDUSTRY?



- A Blanket “No” Policy Does Not Work – There Are Real Harms Completely Out of Your Borrower’s Control – True Black Swan Event
- Generous in Forbearance for Those That Are Directly Affected
- Business as Usual for Others

# STEP 1 - BEST PRACTICE

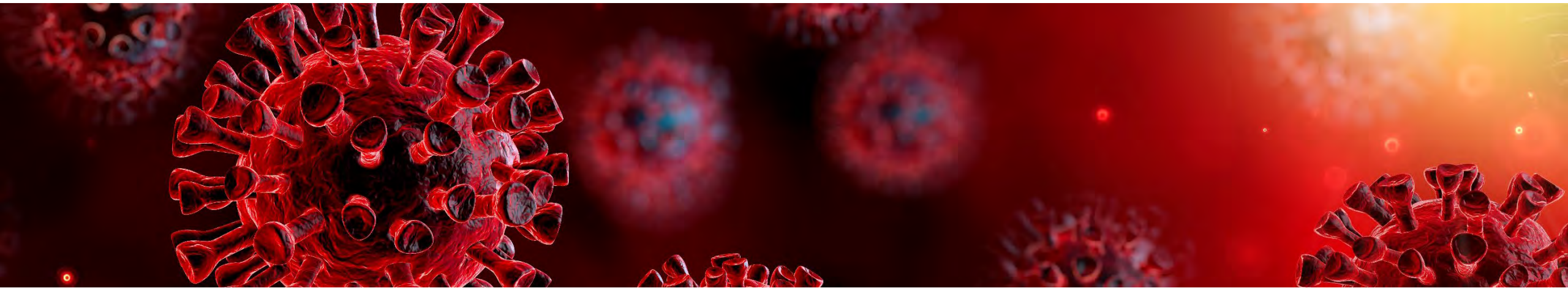


- You Should Place on Your Website Immediately the Attached COVID Forbearance Request Form
- Form to be Delivered In The Follow Up E-mail to This Webinar
- Borrower Needs to Provide Hardship and Back Up Documentation

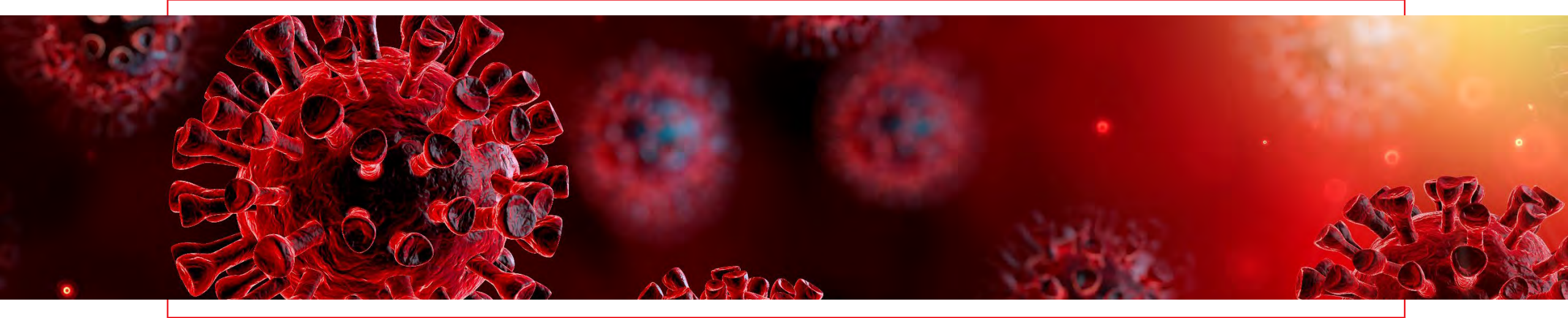
## Back up Documentation – Loss of Rental Income

**Substantial Decrease in Rental Income Caused by COVID-19 Pandemic. Documentation May Include, for Example:**

- Deposit Statements From Bank Account Into Which Of Rental Payments Are Deposited
- Requests From One or More Tenants for Rent Relief
- Your Responses to Tenant Requests for Relief
- Debt Service Coverage Ratio for Each Month During the Last 12 Months







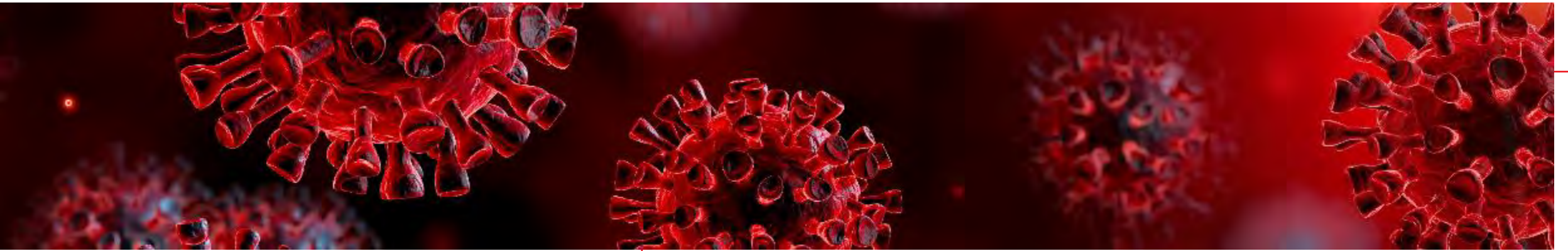
## Back Up Documentation - Personal Hardship (Household Income)

**Substantial Decrease in Household Income Caused by Layoffs or a Reduction in the Number of Work Hours Due to COVID-19 Pandemic.**

**Documentation May Include, for Example:**

- Employer Letter of Termination
- Application for Unemployment Benefits
- Application for Other Federal or State Financial Benefits





## Back Up Documentation - Business Income Hardship

**Substantial Decrease in Business Income Caused by a Reduction in Opening Hours or Consumer Demand Due to COVID-19 Pandemic. Documentation May Include, for Example:**

- Business Receipts,
- Financial Statements
- Other Reasons for Substantial Decrease in Household or Business Income

# STEP 2 – QUALIFIED CLAIMS

## Provide Forbearance Agreement:

- Provide 60-90 Day Payment Deferral for Borrowers in Actual Need
- Automatic Lender Discretionary Extensions
- No Late Charge
- No Default Interest
- Bridge - Move Missed Payments to Maturity
- 30 Yea - Provide 1 year catch-up period (2021 catch-up)



**CORONAVIRUS**  
— IMPACTS IN LENDING —

**FORBEARANCE AGREEMENTS 101:  
WHAT TO DO WHEN YOUR BORROWER CAN'T PAY**

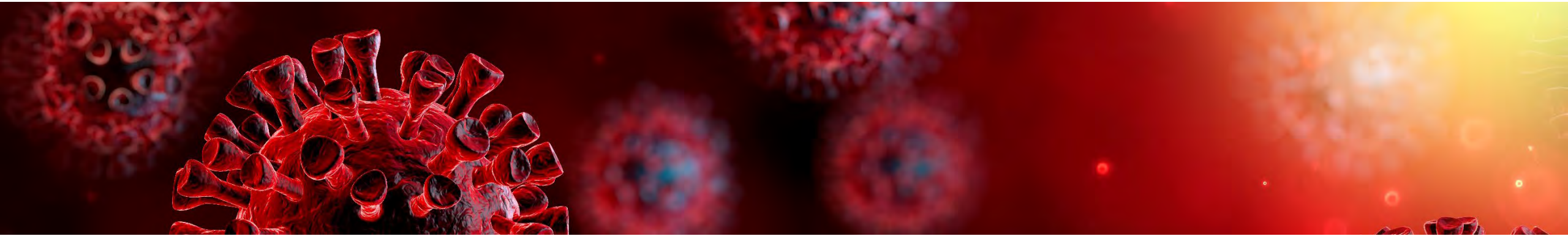
**Monday, April 20**

**NEMA DAGHBANDAN, ESQ.**  
Partner, Department Head  
Transactional  
Geraci Law Firm

**MELISSA MARTORELLA, ESQ.**  
Supervising Attorney  
Transactional  
Geraci Law Firm

**11:00 AM Pacific**

# STEP 3 – PARTIAL HARDSHIP



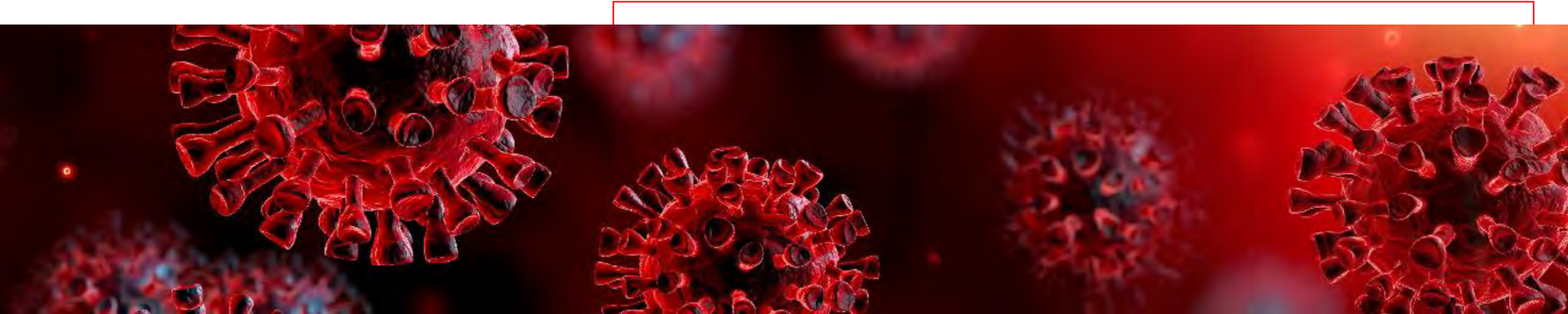
## Partial Forbearance Options:

- Partial Payments
- Waive Payments but Charge Late Charges/Default Interest (may be prohibited in certain states such as NV)
- Charging Interest on Deferred Payments
- Be Creative



# STEP 3 – UNQUALIFIED CLAIMS

- Deny Claim in Writing
- Demand Letter
- Foreclosure – if Available
- Don't do Nothing!





# MANAGING INVESTOR EXPECTATIONS

## Communicate Frequently!

In Writing and Verbally to Discuss:

- (1) Fund Performance; and
- (2) Strategies to Overcome Current Challenges

Explain Risks Associated With Increased Deferments and Forbearances in Portfolio.

Provide Peace of Mind to Investors on Your Plans to Mitigate Losses Both Short Term and Long Term With Struggling Borrowers.


## Prepare By:

- Reporting Frequently With Key Fund Metrics
- Being Available to Field Investor Calls and Requests
- Increasing Reserves and Preserving Capital to Prevent Long Term Losses.

<https://aaplonline.com/member-dashboard/>  
<https://aaplonline.com/covid19/>  
<https://geracilawfirm.com/impacts-in-lending/>

## COMING SOON!

All Webinars Will Take Place At 11AM Pacific

 <b>CORONAVIRUS</b> — IMPACTS IN LENDING —	
THURS. 04/16 11:00 AM PDT	BEST PRACTICES FOR FUNDS, FUND MANAGERS, AND LENDERS DURING THE COVID-19 CRISIS
MON. 4/20 11:00 AM PDT	FORBEARANCE AGREEMENTS 101: WHAT TO DO WHEN YOUR BORROWER CAN'T PAY
WED. 04/22 11:00 AM PDT	LOAN SYNDICATIONS ARE MAKING A COMEBACK: HOW TO TAKE ADVANTAGE OF THIS TREND IN THE MARKET
MON. 04/27 11:00 AM PDT	GETTING AHEAD OF THE GAME: BRAND BUILDING DURING A DOWNTURN
THURS. 04/30 11:00 AM PDT	CALIFORNIA FORECLOSURES 101: STRATEGIES FOR DEFAULTED LOANS
THURS. 05/7 11:00 AM PDT	MANAGING CONTRACT DISPUTES AMID THE OUTBREAK

# QUESTIONS?



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