



Treasury's Toxic Asset Plan Offers Long-Term Opportunities for Multifamily Players

By: [Rachel Azoff](#)

It's been two weeks since the Treasury Department unveiled its plan to use a combination of private and public funds to take toxic assets off banks' balance sheets. Though there are still many unknowns as to how the program will operate, the multifamily industry is eager to tap into any potential investment and development opportunities.

Under the plan, the federal government will pair as much as \$100 million with private capital to generate \$500 billion in purchasing power to buy toxic assets with the potential to expand to \$1 trillion over time. The FDIC will operate auctions of troubled mortgage loans and then provide financing to the winning bidders. For example, the FDIC loan would cover 86 percent of the purchase price of the troubled mortgages with the Treasury's bailout fund contributing 7 percent and the winning private investor bidder contributing the remaining 7 percent.

"It's still too early to tell how successful this plan is going to be but, it stands the most likely chance of cleaning up the problem of anything we have seen to date," says Chip Larson, president of Home Equity Partners, a San Diego-based firm that purchases troubled mortgage loans, allowing struggling homeowners to avoid foreclosure. Once banks free up their balance sheets, they will start lending again, which will allow multifamily developers to get projects off the ground. Likewise, financing will be available for homebuyers.

Restarting the capital markets, however, is contingent on finding private players who can purchase these large pools of toxic assets. Most likely, these will be four or five big firms that each operate in all real estate sectors, such as BlackRock, which formed a year ago to buy and hold condo units until the market recovers, says **Mitchell Bradford, president of Irvine, Calif.-based Sycamore Urban Properties.**

"Their purchases will begin to break the log jam and reset the market," Bradford says. "It will be painful and, I think, hurt other institutions and other borrowers and developers because it is going to re-price certain assets in certain markets as these folks' sales go back out and hit the market again. But if this results in anywhere near what occurred during the RTC [Resolution Trust Corp.] period [in the 1990s], it will help us move through these abused assets a lot quicker."

While initial investment opportunities will expectedly be geared toward the BlackRocks of the world, multifamily firms will likely be able to cash in further down the road. "I don't think any of these guys have plans to hold assets longer than several years max, and, if not, get everything off their books in 12 months," Bradford says.

And that is when multifamily companies can scoop in and get their hands on these assets.