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Frank Satterfield: Habor Capital Helps Bridge the Funding Gap
By: Jennifer LeClaire

With prices of U.S. commercial real estate rising and sales velocity occurring at an unprecedented clip, Frank Satterfield spotted a void in the marketplace and seized the moment. The principal and founder of Houston-based commercial mortgage lender Harbor Capital Group in June launched a new bridge-loan facility. Specifically, Harbor Capital negotiated a $150 million bridge-loan facility with Philadelphia-based RAIT Investment Trust for clients US Advisor, a real estate enterprise that specializes in 1031 tax-deferred exchanges, and CB Richard Ellis Investors.

Bridge loans are typically high-leverage, short-term mortgages that borrowers obtain to close on a purchase of a property before the complete equity and permanent financing is put in place. In a highly active market, bridge loans often help investors close deals more quickly than conventional financing. NREI spoke with Satterfield about how bridge loans work, the state of underwriting standards today, and how he avoids bad deals.

NREI: Can you provide details of this newly executed bridge-loan facility?

Satterfield: A bridge-loan facility provides immediate capital for quick closings. For example, our $150 million bridge-loan facility gives US Advisor and CB Richard Ellis Investors the ability to put a contract on the table and close within 10 business days after the due diligence period. It's a temporary tool to help an active property acquirer execute his business plan. We work to put the permanent loan financing on at the same time. So, these properties may go into the bridge-loan facility and get refinanced within 60 to 90 days.

NREI: How much volume do you expect to arrange in 2005?

Satterfield: In 2004, we arranged $415 million in financings, of which 10% were bridge loans. In 2005 we are projecting $1 billion in financings, of which approximately 35% will be bridge loans, mostly as a result of this facility.

NREI: Are you an exclusive correspondent for any particular lenders?

Satterfield: No, we are a correspondent for some lenders, but we're not exclusive. If I had an exclusive correspondent relationship, then I would be honor bound to take all the business that fit that lender to that lender. That may not be the best plan for the borrower, and I may wind up losing business.

NREI: There is a lot of talk among analysts and industry veterans today about loan underwriting standards really slipping in the industry. Do you agree or disagree and why?

Satterfield: I strongly disagree. Standard Harvors over the past 10 years have been as strong as they've ever been, probably stronger since the advent of conduits as major players in the permanent loan market. Lenders are very competitive. When one loses a deal to another, it accuses the winner of having low underwriting standards.

NREI: How does your shop avoid the trap of making bad deals?

Satterfield: We deal with people with whom we've had experience. I've been dealing with most of my clients for five or 10 years — or longer. We spend a lot of time getting to know new clients before we represent them. I trade on my reputation, so we're extremely careful.

NREI: Bridge loans have been around for several years. What's unique about your program?

Satterfield: What makes our bridge loan facility unique is that it's not a conduit to feed our permanent loan pipeline. The borrower doesn't incur substantial exit fees, if the bridge loans don't convert to permanent loans with our firm.