



LUMENT

GOING ALL OUT FOR A CUSTOMER

With interest rates dropping to historic lows, EBSCO Income Properties decided to refinance a portfolio of three communities in Georgia and Alabama. EBSCO wanted to close the deal as quickly as possible in case its window of opportunity closed. It chose Lument because it knew it could count on the team to secure the terms it required and for their speed and excellence in execution.



BIRMINGHAM | ALABAMA

MULTIFAMILY CASE STUDY

THE CHALLENGE

Securing Favorable Terms for a Valued Customer

On March 3, 2020, the benchmark 10-Year Treasury note entered uncharted territory, falling below one percent for the first time ever as the Federal Reserve, trying to head off the impact of the COVID-19 outbreak, carried out a surprise 50 basis point cut. The Treasury yield recovered slightly over the next two weeks, only to drop below one percent on March 20.

The management at **EBSCO Income Properties** took note, realizing that by refinancing, they could cut the interest expense on three multifamily properties it owns in Alabama and Georgia by more than half. After waiting for the GSEs to establish systems to mitigate their exposure to the pandemic economy, the subsidiary of Birmingham-based **EBSCO Industries** began evaluating potential debt partners. In addition, the company planned to use the occasion to take cash out, as it would under normal economic circumstances. Lastly, EBSCO wanted the deal done as quickly as possible in case the window of opportunity created by the low rates closed.

Chad Hagwood, senior managing director and southeast regional manager at **Lument**, went to bat with **Fannie Mae** for EBSCO, making the case that the company was a valuable repeat customer with a sterling reputation — and succeeded in negotiating a deal that exceeded EBSCO's requirements.

Like EBSCO, Hagwood was in a hurry. Circumstances dictated that EBSCO take a fourth property to a competitor. "Frankly, there was going to be no way that we weren't going to be first to the closing table," Hagwood declared. **Managing Director and Chief Underwriter David Johnson's** underwriting team at Lument was under the gun.



CHAD HAGWOOD
Senior Managing Director and
Southeast Regional Manager





THE SOLUTION

Keeping Channels of Communication Wide Open

With such a tight schedule, there was no time for missteps. In the midst of unprecedented economic uncertainty, the underwriting team's challenge was not simply to deliver the transaction as quickly as possible, but also to execute exactly as promised. With everyone working from home, that required tight coordination with third-party report providers, the sponsor, and, perhaps most importantly, with Lument's internal counterparts – colleagues in production, closing, and capital markets.

"Everybody had to pull the oars in the same direction," Johnson said. "By sharing information and frequently communicating throughout the process, we were able to identify potential challenges early and head them off."

Underwriting efforts were complicated by the need to get Fannie Mae pre-review approval for some of the terms that the borrower requested and for the Macon, Georgia property, which was in a pre-review market. "We were not delegated to underwrite the loan until Fannie Mae gave us authorization," Johnson said. "Having

a repeat borrower who knew the ropes and was very prompt in getting us all the information we needed really helped."

The underwriting team also had to compensate for the fluid economic environment. With no real certainty about the effectiveness of government efforts to keep the economy afloat, Johnson and his team could not rely on historical analysis for their projections and had to pay special attention to current collections. At the same time, with the **Hunt, RED Capital**, and **Lancaster Pollard** groups merging, the team had to make sure they followed any new procedures introduced by the integration – and make sure the borrower experienced no side effects in the process due to the merger.

"But when we received the third-party reports, and they were acceptable, I realized that we were truly on track to a fast closing," Johnson said. "We felt elated."

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THE IMPACT

From Application to Closing in 22 Days

Close collaboration paid off. From the day the application was signed to the day the funds were disbursed, the transaction took just 22 days. Lument delivered \$45.5 million in fixed-rate Fannie Mae financing with a 12-year term and four years of interest-only payments.

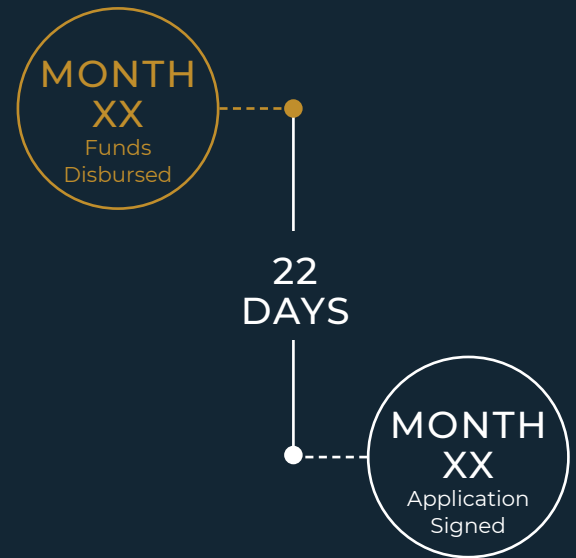
Leslie Yeilding, EBSCO Income Property's general manager and vice president, was more than gratified. "The Lument team was able to deliver a stellar outcome in a period of time that even under normal conditions would be considered exceptional," Yeilding said. "That they were able to do so in the midst of a pandemic just highlights how phenomenal a performance this was."

"This deal showcases what a team can accomplish when all team members — production, underwriting, and closing — operate as a cohesive, collaborative, and efficient unit," Hagwood said.

"David and his team really rolled their sleeves up and made it happen."

From Johnson's perspective, the EBSCO transaction highlights the way the entire Lument organization pulled together for its customers even in the midst of exceptional circumstances. "Working at home in the midst of the economic turmoil caused by the pandemic, our team delivered for our client and our producer," Johnson said. "That was very important for us."

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\$45.5M

FANNIE MAE FINANCING

Fixed-rate

12-year term

Four years interest-only

