

## Lender Exit Strategies: For-Sale Housing

- **Fund Existing Borrower Thru Loan Payoff:**
  - Requires Motivated, Cooperative Borrower & Alignment of Interests
  - Lender Must Not “Manage” the Project to Avoid “Lender in Possession” Issues
  
- **Note Sale:**
  - Avoids Lender Liability for Construction Defects
  - Smaller Buyer Pool Due to Transaction Complexity & Bankruptcy Risk
  - Requires Transaction Sophistication to Market / Sell Note
  - Quality of Project Documentation Significantly Impacts Note Value:
    - Current Status / Work Remaining / Cost to Complete
    - Financial Projections
    - Existing & Potential Litigation / Mechanics Liens
  
- **Sale thru Receivership:**
  - Avoids Lender Liability for Construction Defects
  - Burden of Paying Existing Liens and Other Contractual Costs
  - Significant Additional Cost of Receivership Administration
  - Disposition Alternatives:
    - Wholesale/Bulk Project Sale:
      - As-Is vs. Completed Project
      - Cost of Resolving Entitlement / Contractual Issues
    - Retail Sale as Condos
      - Auction vs. Conventional Brokerage
      - Potential Phased Sale Hurdle Requirements By Retail Lenders
      - HOA Management / Warranty Administration Issues
      - Receivership Disclosures in Purchase Contract
    - Complete, Rent & Sell as Apartment Project (with Condo Map)
      - Ease of Execution – Lower Marketing Costs
      - Sell as Leased Apartment Investment
      - Likely Highest Value – Lowest Cost
  
- **Deed in Lieu of Foreclosure:**
  - Doesn't Clear Mechanics Liens and Other Claims
  - Eliminates +120 Day Trust Deed Foreclosure Period

- **“Marketed Foreclosure”:**
  - Widely Marketed Foreclosure to Encourage Third Party Bids
  - Provide Advance Due Diligence Materials & Planned Lender Credit Bid Amount
  
- **Participating Loan-to-Facilitate Purchase By Third Party at Foreclosure:**
  - Lender Funds Project Completion / Sale
  - Lender Limits Liability Risk
  - Lender Participates in Potential Upside
  
- **Conventional Foreclosure By Lender:**
  - Acquire into Single Asset Entity if Possible
  - Eliminates Existing Construction Liens and Other Contractual Liabilities
  - Potential Long Term Construction Defects & Contractual Liability
  - Limit Lender Liability with Grant Deed Restriction on Condo Sales
  - Disposition Alternatives:
    - Sell As-Is
    - Complete and Sell Wholesale
    - Complete, Rent and Sell as Apartments
    - Complete and Sell as Condos at Retail
    - Participating Joint Venture