Crown Realty Advisors

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# New companies aim to help banks manage bad assets

**Jacksonville Business Journal - by Rachel Witkowski Staff Writer**

Most banks will not fully recover until they can clean up their greatest nemesis — problem loans, a multibillion-dollar nightmare.

And companies such as Crown Capital Group in Jacksonville have created a division to do just that.
Crown Capital Group is among a growing number of firms that help banks manage their troubled assets by selling the loans and/or providing a capital source.

“Our main focus is to help banks figure out the best way to get the highest net proceeds,” said John Bielefeldt, partner at Crown Capital.

The Ponte Vedra Beach-based boutique firm formed earlier this year through Crown Realty Advisors, a real estate investment, management, development and workout advisory firm.

Crown Realty originally worked with developers, but Bielefeldt said as those properties became distressed during the past year, banks eventually became the owner of the properties. The firm decided to start working with the banks and the regulators to help them manage, evaluate, market and sell or recover the distressed assets. Crown Capital says it is active with about 40 banks nationwide and 4,000 investors worldwide.

“There are more distressed asset funds and real estate funds being set up now more than ever before,” said William Looney, president of loan sales at DebtX, a global loan sales adviser based in Boston. DebtX is commonly known for working with the **Federal Deposit Insurance Corp.** in selling its troubled assets.

Loan sale advisers all agreed that there will be more distressed properties recognized and placed on the market for sale than what they see now.

“There is this massive ‘shadow market’ that we know it is there, but it is not on the market yet,” said Patrick Blount, president and CEO of Benewolf, a firm based in Guthrie, Okla., that manages problem and nonperforming assets.

The FDIC sold almost 10,400 loans for nearly $10 billion in book value in 2009, which does not represent all of the problem loans at individual banks that can become available for sale or the commercial mortgage-backed securities on the market. Blount said there could be half a trillion dollars of such assets in the banks alone that have not hit the market and another $30 billion that the FDIC wants to sell in the next 12 months.

The two main reasons advisers said a majority of the troubled assets have not gone to market is that banks are holding onto their loans in the hope that they have enough capital to ride out the storm. And others don’t want to take the losses from selling a portfolio at a deep discount as prices have fallen and investors are offering less.

The FDIC, for example, sold its $10 billion worth of loans in 2009 for $762 million — less than 10 percent of the book value.

However, there are some local banks that have been actively selling their loans, such as Synovus Bank of Jacksonville.
For banks that have the capital, they can “go ahead and take the losses [in a sale] now because it frees up your people to go back to what they were going to do” before having to work out problem loans, said Synovus’ president and chief operating officer, Damon Olinto.

Olinto said it can take more time and money to put a property through foreclosure in Florida and sell it than to liquidate it by putting it on the market.

The bank has sold assets through large full-service loan sale advisers including DebtX, to what’s called an absolute auction, which essentially has no minimum bid and the bank agrees to the highest bid on Web sites such as **Rowell Auctions Inc.**

In an absolute auction, if the highest bid is “20 cents or 40 cents on the dollar, you’re selling it,” he said. But Olinto added that the bank has received a “fairly decent recovery” on such auctions.

The pricing of sales of nonperforming loans has also recently increased nationwide.

A year ago, nonperforming loan portfolios were selling for 40 cents on the dollar in unpaid balances, Blount said. “Today, that price is up to 55 cents” on the dollar.