

IRONHOUND

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BNY, Verrone Teaming Up on Conduit Shop

Robert Verrone, one of the country's biggest lenders before the market crash while co-head of commercial real estate at **Wachovia**, is teaming up with **BNY Mellon** to form a conduit operation.

BNY is allocating \$500 million of its balance sheet for the program, which will originate mortgages of \$2 million to \$75 million on all property types. The goal is to write \$1 billion of loans in the first year and double that amount in the second year.

The still-unnamed operation will be a joint venture between BNY and **Iron Hound Management**, the advisory, investment and brokerage firm that Verrone launched in 2008. BNY will be represented in the joint venture by **Curtis Arledge**, chief executive of the bank's investment-management platform, which includes its fixed-income group. The buzz is that the joint venture plans to hire 10-15 staffers over the next few months, including a senior executive who would oversee day-to-day operations, reporting to Verrone. New York-based Iron Hound will maintain its existing business lines, including an advisory service for borrowers who need to work out overleveraged legacy loans.

The joint venture is the latest in a recent series of new entries to the conduit market. Some of the newcomers are nonbanks seeking to capitalize on the fact that they aren't subject to the capital and risk restrictions imposed on banks. The BNY-Iron Hound team doesn't have that advantage, since the loans will be ware-housed in BNY's portfolio until securitization. But while the operation will have to work under the banking regulatory framework, it will benefit from the lower cost of capital enjoyed by banks.

While BNY has never previously originated commercial mortgages for securitization, Verrone is well known in commercial MBS circles. After joining Wachovia in Charlotte in 1995, he moved to New York in 2003 and helped engineer the bank's dramatic growth into the No.1 CMBS lender. From 2005 to 2007, Wachovia was the biggest loan contributor to CMBS deals, securitizing an eye-popping \$61 billion of mortgages. The activity was highly profitable at first, but left the bank susceptible to the sharp market downturn that began in late 2007. Like other major conduit lenders, Wachovia took heavy write-downs on warehoused loans. Verrone left Wachovia in 2008 and formed Iron Hound soon after.