

With a national commercial mortgage lending program, Romspen has established a reputation with brokers and commercial clients for making deals happen ... fast

Appetite for construction



Blake Cassidy

As a non-conventional boutique lending company, Romspen doesn't consider the traditional banks as competitors. "Banks don't have a lot of appetite for anything that's out of the box, and at Romspen, our expertise is in fitting square pegs into round holes," says Blake Cassidy, managing partner at Romspen. "In short – we can do the deals that the banks turn down. Our solutions are individually customized and we work creatively to structure each deal to make it work for every party. We can also make lending decisions quickly." It's this flexible approach that has transformed Romspen into one of the largest non-bank commercial and industrial mortgage lenders in Canada.

Romspen began in the 1960s as a side business to the Toronto real estate law firm Spencer Romberg. In 1966, the mortgage lending business was formally organized as Romspen and eventually overshadowed its law practices, allowing the partners to focus solely on mortgage investments. Six years ago the company became effectively a private mutual fund for commercial mortgages – a unit trust (not a Mortgage Investment Corporation).

"Since then, we've grown that portfolio from \$200 million to nearly \$750 million under administration," says Cassidy. "We're a hard money lender. We have the funds at our disposal, we make the decisions, we don't have to look for partners to make deals work. When we say we're doing a deal, we are doing the deal."

Romspen generally does deals in larger urban centres, but is comfortable funding quality transactions in secondary markets almost anywhere in Canada, from Fort St John, B.C. to St. John, N.B. Typical transactions range from \$5 to \$30 million, although deals from \$2 million to \$60 million have been funded.

"Speed is another factor that sets us apart from the banks," says Cassidy. "In many instances we

can close deals within a couple of weeks which is hugely important for clients where timing is critical and without access to fast reliable funds it would be a deal breaker. We consider time to be our most valuable commodity. We have a lot of money and we see a lot of deals, so our objective is to be efficient at closing them. This keeps our money working and our deal pipeline full."

Romspen often fills the niche lending spaces that more conventional institutional lenders leave underserved or untouched, which changes depending on where the market is and upon their appetite or restrictions. "In times of abundant capital we were doing predominantly construction transactions and time-sensitive deals. During the credit crisis when the banks scaled back commercial lending almost entirely we were funding across the board, from cash-flowing assets to construction to bridge financing. Post credit crunch, bridge financing, term debt and construction loans remain a large part of our balanced portfolio. We step in and provide interim bridge financing for whatever is needed for quality real estate with sound fundamentals until the client has repositioned the property to bring in a more cost-effective source of institutional debt."

According to Romspen, mortgage brokers form a large component of the company's originations and they look to ensure that that will continue. "We protect brokers through the entire transaction," says Cassidy. "We structure the brokerage fees right into the transaction and we pay brokers from trust at the time of closing."

Cassidy also encourages brokers to contact Romspen if they have any questions about a potential commercial deal.

"We're quite happy to chat and talk about the transaction and how we would structure the financing and point them in the direction of collecting the relevant information to ultimately get a deal done."

And if Romspen can't do the deal, Cassidy's work is far from over.

"Even if the deal isn't for us, I'm happy to refer them to a different source of capital. Or if the deal is too small for us, but I know a regional player, then I'm always happy to make that referral. We like to keep the dialogue open because I'm confident that brokers will refer their larger more complex transactions to us when the time comes." **CMP**