

Home > Business



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Company's grip on loans solid

Granite Loan checks budget, developer and work

By Margaret Jackson

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As mortgage lenders collapse nationwide, a Centennial company has ensured its clients remain strong. Granite Loan Management helps lenders make and manage commercial and residential construction loans nationwide. It reviews budgets for projects, as well as the developer's track record. It also makes sure the work on a home is completed before allowing the contractor to withdraw money from his account.

"The No. 1 reason for a failed construction loan is a bad budget," said Bill Cobb, president of the company. "No one in residential lending was looking at the budget."

There were up to 70 institutions nationally with construction lending programs between 1991 and 2006, but since the summer of 2007, 37 of them have shut down, losing up to \$25 billion in financing.

"Initially, they closed for liquidity reasons," Cobb said. "Now they're closing for loss."



Bill Cobb of Centennial-based Granite Loan Management says his company disbursed over \$1.5 billion in residential construction budgets in 2007 with no losses to clients. (Hyoung Chang, The Denver Post)

But Granite's customers didn't lose a dime on failed loans last year. The firm disbursed more than \$1.5 billion in residential construction loans last year with no losses to its clients. It also oversaw the analysis and disbursement of \$1 billion in distressed construction loan real estate portfolios.

Granite was founded in 1994 as Institutional Loan Management. In 1998, it was renamed Granite Loan Management and relocated from Los Angeles to Colorado.

The company's clientele includes five of the 10 largest mortgage companies in the United States and numerous large, regional banks. Company officials declined to name specific customers, however.

Granite employs 89 people at its Denver headquarters and 3,500 contract inspectors across the country. They inspect a builder's work before they give the green light for the builder to draw money from his account.

"We want to make sure the work is in place," Cobb said. "If they're drawing \$50,000 in framing, I want to make sure there's \$50,000 in framing in place."

The company also makes sure that the builder's bills are paid. In 37 states, including Colorado, a subcontractor can file a lien on a house if the bills are not paid.

On top of lenders losing money, the number of residential building permits issued declined 60 percent last year. Housing starts have dropped from 1.7 million nationwide last year to a projected 650,000 this year.

Granite isn't the only company that monitors developers' projects. Bill Rodriguez and Liana Pomeroy of Cherry Creek Mortgage consult with developers and buyers of multi-family infill projects to make sure all criteria are met for Fannie Mae and Freddie Mac loans.

"We have the developer contract and go find financing, build rapport, consult on the project and do the end loans when we're marketing to buyers," Rodriguez said.

Margaret Jackson: 303-954-1473 or mjackson@denverpost.com

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\$25 billion Financing lost in the process