

# Former IndyMac unit leaders branch into loan consulting

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By Mindi Westhoff

Two former heads of IndyMac Bank units have moved into the consulting and asset management space with the launch of Milestone Merchant Partners LLC unit Milestone Asset Resolution Co.

Led by President Jim Fraser, the former CEO of home construction lending at IndyMac, and CEO R. Patterson Jackson, former head of IndyMac Commercial Lending Corp., the Milestone Advisors LLC unit provides consulting and asset management services to institutional investors and to owners of land and construction loans. It also assists state and federal regulators working with distressed institutions.

With a team drawn from the construction lending space, MARC offers clients a mix of expertise aimed at a narrowly defined business, Jackson said.

"I think it's pretty commonly understood that in the absence of this expertise, there's no way the true value of these assets can be realized," Jackson said. "You have obviously a discount in this dislocated market anyway. But when there's uncertainty beyond the risk of the asset itself, when there's uncertainty about the ability of the team to manage that asset, there's going to be an additional discount."

Small, regional lenders increased their participation in acquisition, development and construction loans starting about 2004, Jackson said. Now the economic downturn has hurt community banks' ability to continue to administer those loans and manage their balance sheets.

Many banks "don't have the ability to provide the broad spectrum of capabilities that will be required to properly manage these loans — legal services, title sweeps, on-site inspections, all the things

you need to be able to properly manage these assets and achieve a higher value," Jackson said.

While many companies provide ADC-related asset valuation services, and other companies can help banks sell loans, Jackson said MARC will value loans, assess a company's reserve levels and balance sheet procedures, manage the assets themselves, and also help a company remove assets from the balance sheet through sale.

Part of MARC's value comes from the team's knowledge of the regulatory environment, Jackson said. By virtue of their experience running IndyMac during FDIC conservatorship, MARC's team can approach the consulting and asset management business with in-depth experience in meeting regulatory requirements.

"We've got almost a yearlong crash course in terms of running [an institution] from the first perspective as a regulated entity, but also the second perspective of how the FDIC wants to see it," Jackson said.

In starting the business, Jackson said he and others deliberated over the decision to take on a senior management team from IndyMac's construction business. Despite the stigma attached to the brand, Jackson said his specialty products area performed well despite the bank's failure. There is "more positive than negative to being associated with IndyMac," he said.

"We understand what it's like to be in a regulated entity," Jackson said. "We understand what the challenges are for a bank that's starting to get in trouble. We understand what the FDIC is looking for specifically because we were part of the FDIC for nine months. And now we understand ... the issues that are being faced by the banks that we're now working with." *i*