CAPITAL CLUB RADIO - SPECIAL EPISODE INTERVIEW WITH LOU DIPALMA FROM THE 2017 DBA INTERNATIONAL CONFERENCE

00:07 Announcer Opening: Live from the 2017 DBA International Conference at the Aria Resort Hotel and Casino in Las Vegas. It's time now for a special episode of the Capital Club Radio Show broadcasting on the Pro Business Channel Networks, this show made possible in part by Flock Specialty Finance. And now here's your host, Chairman and CEO of FLOCK Specialty Finance, Michael Flock.

00:36 Michael Flock: Thank you and good afternoon, live from Las Vegas here at the Aria Hotel. We're excited to have as our guest today Lou DiPalma. Lou is managing partner of Garnet Capital Advisors, the leading broker of loan portfolios of all types in our industry. Last year, Garnet brokered two billion of performing portfolios, and they also brokered five billion of distressed portfolios. So, we are delighted to have Lou, a leader in this space here with us today. He got started in this industry in 1987 and helped build Cohane Rafferty's loan portfolio sales and advisory business. He was there for 15 years until it was acquired by Lehman Brothers. Following that, he became the founding member of the loan portfolio division of Keefe, Bruyette and Woods in their loan sales group. Following that, he started Garnet Capital with Robin Ishmael and Sean McVity in 2004. He's now a frequent writer and speaker in the industry. In fact, tomorrow he'll be talking to everyone about the future and trends of debt buying in 2017 and beyond. So, Lou, tell me, how did you get into this space? As a kid you didn't dream of brokering loan portfolios, did you?

01:49 Lou DiPalma: Nobody grows up wanting to be a loan broker. If I had something to say to mothers and children, please don't have your kids grow up to be loan sale advisors. No. I think that what drew me to the business was I was in healthcare early on right after college and then I got into financial services at Cohane Rafferty, they owned a Mortgage Company. And Cohane and Rafferty were part of the Liar's Poker group, so they worked directly for Lewis Ranieri, then my next boss at Keefe, Bruyette and Woods, after Cohane Rafferty or a couple of years later, was Craig Coats. He was the one who actually played the Liar's Poker for a million dollars, no tears. So, I worked directly for that gentleman. They had the heyday of mortgage banking, mortgage banking M&A where the mortgage is the beginning of mortgage securitization. And I was drawn to it because I like puzzles.

02:51 MF: Puzzles? Okay.

02:52 LD: Figuring out a loan portfolio, especially on the distressed side, is like figuring out a puzzle.

03:00 MF: Okay. So, it's the intellectual challenge of it?

03:01 LD: And every portfolio is different. And I think if you ask my partners, Sean and Robin, I think it's the same thing. We like figuring out different things and working on different things and different challenges from time to time.

03:16 MF: So, it's almost like a sport maybe. Is it?

03:19 LD: Yeah, a sport where the season never ends. Unlike the Super Bowl where you lift the trophy, there's always another game coming up and another meeting, another portfolio to value. So, it's a little more of a grind. There's no off season in loan sales.

03:37 MF: Right, right. It never stops.

03:39 LD: It never stops.

03:39 MF: But that's probably the fun of it for you, right?

03:41 LD: And there's no glory or confetti like Tom Brady gets.

03:46 MF: Right. Is there sudden death in loan sales?

03:49 LD: It's more like slow, excruciating death.

03:51 MF: Oh okay. Torture.

03:53 LD: Yes.

03:54 MF: Torture. You mentioned the gentleman from Liar's Poker, what were some of the lessons there? Was he a mentor, was he someone you looked up to?

04:05 LD: Craig Coats, definitely. For Larry, Larry Rafferty and Timmy Cohane and Lewis Ranieri, that kind of crowd, it was more about the fun. They really worked hard, but at the end of the day, they played hard. So, whether it was going out to a bar or going out on the golf course on the weekends or leaving work at 2:00 to just do something crazy, and they did lots of crazy things. Craig Coats had mellowed out. He was an older gentleman by the time he was my boss. Very bright. He had a good view on worldwide discount rates, and one of the brightest guys I've ever worked for.

04:46 MF: But when the average person hears 'Liar's Poker', it doesn't necessarily have a positive connotation. What were some of the positive lessons that you got from that experience?

04:57 LD: Well, that's right. So, that was... Gosh, who was the author there? Michael... Whatever. He spun it to not be positive, but when you think about the liquidity that securitization added to the mortgage industry, the base of it, it really did. It really de-levered the banks and allowed many more people to buy houses. So, those guys, the early deals in mortgage banking, those deals all performed soup to nuts terrifically. They were all out of it by the time the subprime hit.

05:35 MF: So, it did have a positive impact economically. Right? You're saying because it brought liquidity to the mortgage markets.

05:42 LD: Right. It brought liquidity and we learned how to deconstruct cash flows and then predict cash flows into the future.

05:52 MF: And you said, I think or you implied that that served to help de-leverage the banks in the mortgages?

05:57 LD: So, the thrifts of the, I'm old enough to have been through several banking crises. So the on in the '80s was where banks, interest rates went up so banks had three, four, 5% mortgages on their books. But the rate they had to pay on their deposits was five, six, seven, 10%. So they were all upside down. They needed to de-lever to get those low rate assets off their books. Securitization was one of the alternatives, or going out of business which many of them did back in the RTC days.

06:35 MF: Right, right, so you use the word "crises", help us understand what you learned then from somebody's crises or adversity. You were talking kind of on a macro level adversity for the market. But what about Lou DiPalma? Did you have some sleepless nights when you were young and learning all this stuff from the gang at Liars Poker?

06:57 LD: So crises in, I think it's Chinese, the definition is a combination of danger and opportunity.

07:08 MF: Yeah. [chuckle]

07:10 LD: So we had an intern from China who explained that to me, and really when you think about it that's what happened. I mean, there were problems, systemic problems in the banking industry and fortunes were made by having capital to pick up assets at that time. And fortunes were lost by people who were on the wrong side of the interest rate equation.

07:41 MF: So I guess could we say some of the personal traits that you learned from that early experience was it courage, was it guts, was it being opportunistic?

07:53 LD: So all those words, courage, guts, opportunistic are traits I don't have. [chuckle] And so that's why I'm an intermediary.

08:05 MF: That was my next question, you read my mind. So you don't have the guts to be a debt buyer?

08:09 LD: The people I, the people who take money, OPM, other people's money, invest and in order to make money, I have a lot of respect for them. And I've seen many of them get wealthy. We just realize that's not us, right? So the clients I talked to, and the people that appreciate me in the decades-long relationship I've had, they say, "We like you because you take our assets, you deconstruct them, and then it's very transparent as to who you show it to, the price, and how deals get done. Rather than you buying it, and then making $10 million and then nobody knows what happens."

08:52 MF: So could we say that Lou DiPalma is a better risk manager than a risk taker?

08:57 LD: Risk avoider.

08:58 MF: Risk avoider. [chuckle] This is the ultimate irony, because you're helping other people take giant risks, but you personally are a risk avoider.

09:06 LD: Right, if you looked at my personal investment portfolio and treasuries, you'd say this guy is totally risk adverse.

09:14 MF: Really? So, do you even have a mortgage on your house?

09:17 LD: A very small mortgage, I live in my starter home.

09:20 MF: You live in your starter home?

09:21 LD: Yes.

09:22 MF: But you must be like Warren Buffet though, right? Warren Buffet's living in his starter house.

09:26 LD: Yeah, my house is probably a little smaller than Warren Buffet. Warren Buffet is an investor, right? What you have to...

09:34 MF: That's right, he's not a broker.

09:35 LD: Right, what you really have to admire about him is his view of value. And that's what I admire about him. But I actually have other people managing my money for investment purposes. And part of that is when you're on Wall Street, you can't buy and sell stocks, especially in financials which is what I know. So I had money managers in place, and I just, you don't want to be upside down with the SEC with having a trade with a client.

10:03 MF: So if you're a risk avoider, was there ever time that you went in a contrary direction to the market? We talk at our company about taking the roads less traveled. Because sometimes there's less competition in going in a road less traveled. Did you ever do that in your career or at Garnett recently?

10:21 LD: Our entire career is built on being where Goldman Sachs doesn't play, because they're going to beat you. So either in a product that they're not in, or a size that they're not in. And also being the weather vane of the industry. So being in products that are illiquid, where nobody knows if the price is 25 cents on the dollar, or 75 cents on the dollar. So a well-run process where you get 72, but everybody's on the same page, gives everybody comfort. And I think adds value.

11:01 MF: Wow, so you just summarized what the vision is I guess for Garnett Capital. Is that right?

11:06 LD: Did we have a vision? We had five or six people, and we were sponsored, we were backed by Bear Sterns. And we set up in the Bear Sterns building. And we just said we're going to broker loans. It's morphed into that, we're 25 people now so my risk is next month's payroll. And...

11:29 MF: So you do take some risks. Minimal.

11:33 LD: I call that responsibility, because we had a lot of your people who now have got married, have kids, put them through school, put them into college. That's a big responsibility, right? because we control the business. But they depend on the business being there to pay their bills. I take that very seriously.

11:57 MF: So even though you're a risk avoider, and you're a broker, not a risk taker, you are a risk manager, or risk avoider, not a risk taker. Do you ever have a sleepless night at Garnet? Or is everything just so wonderful and the business just flowing in, the two billion that last year performing, the five billion of distressed. Does anything keep you up at night or...

12:17 LD: Did you notice the grey hair? [laughter]

12:22 MF: So is it the performance of the deals that you broker? Does that weigh on your mind?

12:26 LD: Our deals are not easy, right? So every deal has issues. So I think we sleep well at night because we try to do the right thing every day but we do work on the weekends, and email ourselves. And I'll get emails at 10, 11, or somebody will wake up in the middle of the night and say "I was just thinking about this about a deal, we should do this tomorrow".

12:54 MF: Wow. So your team is pretty tight?

12:57 LD: Yeah. I think the word is deal junkies.

13:02 MF: Okay, the puzzle.

13:04 LD: The puzzle.

13:04 MF: Solving the puzzle.

13:05 LD: Right.

13:07 MF: It sounds like it's almost like a hobby to you and you can't stop it.

13:11 LD: It's fun. So Sean and Robin and I, three tremendously different personalities. And I know you know...

13:19 MF: I haven't met Rob, but I've met Sean.

13:20 LD: Nobody meets Robin. So you know Robin will meet one client a year but she's the most efficient deal person on the street. And lots of people have tried to steal her. Because once she closes a deal or meets clients, she'll meet clients working on a deal - but dispassionate and she's the buzz saw of working through deals.

13:47 MF: So she sounds almost mercenary.

13:51 LD: Dispassionate. She's the Joe Friday of working, of just the facts ma'am. So you know, we said puzzles. The other thing it's kind of like mining. We're in the quarry, like Fred Flintstone. She goes, selling a loan portfolio is like breaking big rocks into little rocks, right? Shoveling the little rocks into the load star, getting it down into the refinery and then figuring out where the gold is, you know? So it's item processing and doing it right.

14:24 MF: Right. So what are your plans this year for Garnet? I mean, do you have any other new asset classes you're thinking about? New markets you're going to enter? Other ways to avoid Goldman Sachs, a niche, segments they haven't contemplated?

14:38 LD: It's interesting, you know, how do you plan a spot market business, right? So our business has always been spot market. So we start the year at zero and we only make in a year what we close in that year. That being said, in 12 years our income is very, it's on a very consistent trajectory. And we do commercial, consumer, residential, performing and nonperforming, and we have a cookie every week of each product. They're sort of like eight slices of the cookie. And those slices spin around and look different every year and the total remains the same. And everybody gets paid at the end of the year and they come to work happy in January.

15:17 MF: The total remains the same, not the total volume. That changes doesn't it?

15:21 LD: The total volume changes dramatically, dependent the income. So the worst times were 2008, 2009. 2007 and 2008 where the financial market seized up. There were no deals, nobody did deals. That's when Lehman went down, that's when Bear Stearns went down. But we signed up for government work and we now work for the FDIC, the SBEA, and the NCUA and so we've done well over a hundred assignments for the FDIC. Not well paying, but you know we could make payroll.

15:58 MF: Right. And it gets your brand out there.

16:01 LD: It gets our brand out there.

16:04 MF: Speaking of the government, so what impact has regulation had on Garnet Capital in the past, and how do you see government regulation changing in the future?

16:17 LD: You know the last 10 years have been very interesting and I used to say a lot of the confirmation people would have is Lou. Lou tells you "this is the right way to do it, and I know what I'm doing so that's all you need to know". That's morphed into we spend about a million dollars a year on data security, for a small firm that's a big number. And now we have written policies and procedures and scorecards for buyers. And so I think regulations has become a barrier to entry to people doing my business, so that's good for me right? So we've raised prices kind of across the board because our cost to doing business has gone up. And the other regulations on banking, it's sort of inhibited them from wanting to do things for fear of what the regulators would say.

17:15 LD: That squashed our business for several years. I mean we still had plenty to do, but we noticed a loosening in last fall into the winter and continuing on to spring, where people now either feel they've got a good handle on the regulations. We know now what the CFPB wants. And as long as we know what they want we could do it that way. Or what the OCC wants. The OCC now has three or four financial institution letters out there saying this how you handle a loan sale. So if we have the cookbook, we could follow it.

17:52 MF: So you're saying regulations have actually helped Garnet?

17:55 LD: Yeah, they have helped us.

17:56 MF: But hasn't it effected also, at least in the charged off debt, the performing markets. Hasn't it shrunk the volume that you can broker?

18:03 LD: Shrunk the volume dramatically and increased our market share dramatically.

18:07 MF: Okay, but in shrinking the volume, doesn't that shrink your income?

18:10 LD: Well, so it's a $50 or 460 billion market. Let's say it was at the peak, it was 60-70 billion, and it went down to 40 billion. Yeah, we're doing five or 10 billion a year. So, there's enough for us to work on.

18:29 MF: Okay. So going forward, I know you're going to be talking tomorrow to the DBA association about your view of the future, the trends and so forth for debt buying. Mostly the charged off stuff. Can you share with our listeners a preview of that?

18:48 LD: Sure. So, we think that the credit card business, which is the major supplier to this industry, will loosen up. So that volume will increase. That will help only the biggest of buyers. My clients tend to be the second and the money center, not the money center, the regional banks and the community banks. They are now increasingly entering the market.

19:15 MF: To sell debt?

19:16 LD: To sell debt.

19:17 MF: Even the community banks?

19:19 LD: Yes. Well, if by community bank, you know, we can only deal with banks that are one, two, three billion in assets and up. So there's 3,000 banks that are under 200 million in assets. It's very difficult for us. So, I'm talking about, kind of regional banks. That have an auto portfolio, a consumer portfolio, a commercial portfolio.

19:41 MF: Right, right.

19:42 LD: Right. So, we think the supply from the banks would be bigger. Sub-prime auto will be bigger. And we are seeing municipalities. So, parking tickets, speeding tickets. You know, every town now has cameras that take your picture when you do something wrong. So, I'm not saying I got one of those. But I was driving my wife’s' car...

20:05 MF: I did in Iowa.

20:07 LD: Yeah. So I figure...

20:09 MF: Going 90 miles an hour in a cornfield.

20:10 LD: Yeah, right.

20:12 MF: Yep.

[chuckle]

20:14 LD: My opinion there is, if I'm driving my wife's' car, it's her ticket.

[laughter]

20:18 MF: Okay.

20:19 LD: She sort of disagreed with that.

20:22 MF: In your work at Garnet, haven't the resale, the rules of resale definition. Hasn't that driven down your volume? And I'm bringing this up, because many of the members of DBA are middle market debt buyers. And I know a lot of them saw their clients shrink because of the resale rules.

20:42 LD: So, not shrunk. Almost decimated.

20:46 MF: Yeah, I was being polite.

20:47 LD: So, we were really not in the resale market unless it was a big deal. Kind of a billion dollars, or 500 million and up. And where we had to go to Bank of America and all the big sellers, and get pre-approval to sell. And those were no issues because somebody could write that check to buy that portfolio was big and conforming and was already buying from those people. The middle market buyer on the re-trade, that's over. Right.

21:13 MF: You don't see that coming back at all? With the...

21:15 LD: Not in the credit card...

21:16 MF: With what Trump is talking about. Maybe with the loosening up of the...

21:20 LD: No, because those issues are consent orders from OCC. And he's never going to drill down that far. To change that kind of thing. And quite frankly, it's a better performing industry right now. That does not mean that there's not product for a middle market buyer. We are selling portfolios from regional banks that are several hundred thousand dollars of purchase price to a couple of million dollars.

21:49 MF: Right. And the big debt buyers wouldn't care. PRA, Encore, they're not going to go after that. So your advice to middle market buyers, is go after regional banks or community banks.

22:00 LD: Right.

22:01 MF: Okay. And does Garnet actually help these institutions put in place a sales process? Do you actually advise them on that?

22:07 LD: Yeah. You have to. Compliance... So we, so a community bank can't follow all the financial institution letters and consent orders. So we have written policies and procedures for how to do it. When a bank comes to us... Now, we're not compliance advisors, we say, this is what we do. And so, we document everything we do. They approve everything. At the end of the trade they get a big book that documents anywhere from 500 to 2,000 pages. That documents everything that was done. How you got to the correct balance. How you got to the correct documentation. And how you got to the correct purchase price. And how you vetted out the buyer to assure that they were appropriate for this portfolio.

22:57 MF: So, would this be a value add service that Garnet Capital provides to originators?

23:02 LD: I don't think you could do it. It is a value add in that you can't do a loan sale. If you don't do that, you're not doing the right thing.

23:12 MF: Okay. So, that's not necessarily then, a differentiator for Garnet Capital versus your competition. Is it?

23:18 LD: It is, well, the issue is not everybody can do that. I think there's maybe, if there's one or two firms that have the data security that we have. I don't think they can spend a million dollars a year. On data security. They don't have an office where you...

23:37 MF: So, that's a differentiator. The data security of Garnet.

23:39 LD: Yeah.

23:41 MF: Because there a couple other firms we all know out there. I was just curious what your strategy is to differentiate Garnet.

23:45 LD: And I like all those firms. And we have grown up in the industry together. And sometimes we pitch against them. Sometimes they get the business and sometimes I do.

23:55 MF: Right, right.

23:57 LD: But if it's, if they need to go through a process with data security, and written policies and procedures and banking, that's kind of a grind.

24:14 MF: Right, right. So Lou let's talk about you personally again, what are you reading these days? What's book on your night stand at home?

24:23 LD: I read... I don't read as much as I used to. I read The Times, The Journal, the American Banker every day. That's how I start my day, just to see what's going on in the world. Generally, we take a summer vacation kind of to an Arch Retreat and I read what's ever on their list because we have book discussions and it was the book about the Lusitania last year.

24:54 MF: The Lusitania. Okay. I didn't read it.

24:55 LD: Yeah. So it is a lot of historical non-fiction. Then my general day-to-day is sales, because that's my part of the partnership.

25:08 MF: And business development.

25:10 LD: Business development, sales. What we do getting out there every day and every week and getting on planes is hard. So trying to keep yourself motivated.

25:19 MF: Where did you learn sales, was that at KBW or?

25:25 LD: I had some Xerox training early on.

25:28 MF: Xerox. Okay. That's a name for that past.

25:31 LD: Yeah. But mostly book and seminars I went to on my own. Try to figure it out. And I have a psychology background so that helps a little.

25:43 MF: That helps, yeah.

25:45 LD: So yeah you say, "What did you do before you got into financial services?" And I'm like, "Well I worked in a psychiatric hospital."

[laughter]

25:53 MF: Oh really.

25:54 LD: And everybody says, "Well that sort of... "

25:56 MF: That makes sense.

25:57 LD: Yeah. So when my wife says, "I met my husband in a psychiatric hospital," then our friends say, "What side of the glass was he on?"

26:05 MF: Yeah, right. Right. In the book on Lusitania, was there a puzzle there? You say you like solving puzzles. Was there a mystery with what sunk the Lusitania, I don't recall.

26:16 LD: Well, no, because it's a known fact it was a German U-boat. But the tension of what the U-boat went through and how many days and weeks it was out with limited oxygen and limited munitions and the risks that the... The effect of small decisions today on lives tomorrow. That was sort of... Also the intertwining of stories. So when we're selling a portfolio it's kind of stories. The... Gosh, I can't remember who did it but we've read a couple of books of his. He takes non-fiction and he takes the personal stories of the people involved and one person started an Avon old farms prep school in Connecticut, there was the Vanderbilts and there were some other wealthy people on that boat. Then some servants and some dock workers, taking the different stories.

27:20 MF: So the intertwining of the stories was a story in and of itself?

27:23 LD: Right. The way he told a story is just amazing.

27:29 MF: What were the underlying words of wisdom from those stories that you could share with us?

27:36 LD: The words of wisdom come from I think it's decision making. And the decisions that the captain of the Lusitania made and the captain of the U-boat, that really what you do in your own life has, may have wider implications. That's how I reflect on that is, I only can affect my own little area of the world, but you try to do the right thing every day and maybe it helps in the general scheme.

28:13 MF: Well you've already mentioned earlier in this interview that you try to do the right thing for the employees of Garnet and you feel personally responsible for that payroll. That's the risk that you will take.

28:24 LD: Right. But I was lucky enough to have two partners who really take that as personally as I do. So the fact that we are all in lock step on that and everybody gets paid before we take any profits out, I think that helps for the morale of the whole, we're like a family. It's now people come in and they don't go out.

28:52 MF: Right. I guess you probably have the same attitude for your clients. You feel responsible for the... I won't say the end results necessarily of what they're buying but I'm sure the process of the brokerage, is that right?

29:06 LD: We feel responsible for everything. So if I had to say what our best feature is and what our worst feature is, it's responsibility. Sometimes it's like, "Okay just get it done." But our best client is a partner. It's somebody who we've dealt with for a long time and there's a level of trust there that we're just going to... We take their assets and we say, "If this was ours, what would we do?"

29:34 MF: Okay. But you're frequently if not always representing the originator?

29:40 LD: 90% of the time.

29:41 MF: The originator?

29:42 LD: Yeah. Almost 100%

29:44 MF: Okay. So you're always trying to get the highest price.

29:47 LD: Right. But if you didn't get fair prices for the buyers, they would not come.

29:52 MF: Well that was my next question because what happens if you've got a buyer that's willing to pay more than the thing is worth but you're representing the seller or the originator, and you're trying to maximize their profits, but you know the buyer is going to lose money if he overpays.

30:06 LD: And that's a great question. And the first big deal that we did in charge-offs. We had been doing charge-offs for years and years. We finally liquidated somebody's sort of charge-off business for a bank, a Midwest Bank. And we thought it was worth 20 million bucks. And the high bid was $30 million. And this was a firm who... It was a big number for them. And I'm like, "That's too much money."

30:36 MF: Wow. So do you...

30:36 LD: And I was like, "These guys are going to hunt me down." But they...

30:42 MF: Is that the risk avoider speaking?

30:45 LD: Yeah, because I thought that was... But then I wanted to say something. I'm like, "You are 50% higher than where we valued it, and we're optimistic." That guy killed it on that portfolio. So it was running a little under $2 million a month in gross cash. Two years later, it was over $2 million a month and had been every other month for 24 months.

31:14 MF: So he killed that in spite of paying.

31:16 LD: Well, you know why? Because he knew the business better than I did. I knew the portfolio and the numbers and I knew what the seller had done to it, but he knew the intrinsic value of the assets and could see that they had two support people for every collector and then two months later, it was eight collectors with one support person. So they were upside down on the way they ran the business. So he had the presence of mind to pay a number and naturally get a great deal for himself. So we do have price talk, and generally speaking, we end up within our price talk. That was one time that I was worried. And it worked out for the buyer tremendously.

32:11 MF: Yup. So, well, terrific.

32:14 LD: And that was 15 years ago. They remind me about it today.

32:19 MF: So lastly, what's the outlook for Garnet 2017. What do you see for you guys?

32:25 LD: We try to plan every year what's the commercial business going to do, what's the residential, what's the... How do we want the cookie to look? And then we just say, "We're just going to work hard and do the deals and just trying to end up where we end up every year. I will say that the first two weeks of January were the busiest first two weeks of any year since we started Garnet. I think there's a pent up demand to adjust balance sheets. So we're pretty busy right now in all aspects, mortgage, performing consumer, nonperforming consumer. So I think people need to adjust their balance sheet, just like what is a financial service company? The loans, is inventory. So if you're a car company and you have too many engines, you have to get rid of the engines if you don't have enough bodies. So it's just inventory. So that's why I'm in the inventory management business.

33:34 MF: Okay. So I assume this is a good omen then for the industry. This is an... Would you call it a key indicator; the volumes you've seen already?

33:41 LD: I do think it is. A couple of big risks. I don't think there is a big regulatory risk on this year's horizon. There's an interest rate risk, the seesaw as your reach go up, prices go...

33:52 MF: Right, down.

33:53 LD: There we go. That's why you're on that side of the microphone. [laughter]

33:56 MF: Right. [laughter] Thanks, Lou.

34:00 LD: And if asset prices decline dramatically, then sellers will be less likely to sell. But right now, we're still into...

34:07 MF: Right, but then you'll have more buyers and then that's the free market.

34:11 LD: That's the free market.

34:13 MF: Well, Lou, this has been a fascinating half hour with you. I really appreciate your time today. I like to thank you for telling us a little bit about how you love puzzles, and how each portfolio that you broker is like a puzzle. We learned also that you see opportunity and crisis, opportunity in the danger that underlies the crisis, but what's interesting is that, Lou DiPalma, he will avoid the risk, help other peoples, maybe take that risk and that's part of the value add of Garnet. But at the same time, they do it with responsibility, responsibility to both the originator as well as the buyer.

34:51 LD: Transparency is the word I would use.

34:53 MF: Right, that's a wonderful story, Lou. Do you have any final words for our listeners today?

34:58 LD: I would say, "Mothers, don't let your babies grow up to be loan seller advisors." [chuckle] Let's just end on that because it's not the greatest way to make a living. My mom still doesn't know what I do.

35:10 MF: Yeah, but some of them turn out rich, right?

35:12 LD: The buyers. Many of my sellers and buyers are wealthy and well established companies. You won't get rich being a lone seller.

35:20 MF: But you sleep well at night.

35:23 LD: We don't have to worry about other people's money. So we've carved ourselves a nice little reputational part of the business.

35:31 MF: You've got an outstanding reputation of Garnet Capital Advisors. And Lou DiPalma, thank you very much. We appreciate your time this afternoon and have fun tomorrow with the DBA Conference.

35:40 LD: Thank you. I'm thrilled to be here.

35:42 MF: Thank you.

35:51 Announcer Closing: We want to thank you for listening to this special episode of the Capital Club Radio show. With your host, Michael Flock and his guests live from the DBA international conference at The Aria Resort Hotel and Casino in Las Vegas made possible impart by Flock Specialty Finance more than a transaction. For more info, visit FlockFinance.com to listen to a rebroadcast and more episodes, visit CapitalClubRadio.com

---

Thank you for joining Michael Flock and his guests on the Capital Club Radio Show. For more information on future interviews, please visit us at FlockFinance.com.

This program is brought to you by FLOCK Specialty Finance, where clients are provided knowledge and insights to help them grow their business in complex and risky markets.

“FLOCK -- More Than a Transaction”