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Mortgage

Redwood Trust buying real estate investment lender CoreVest for \$490 million

REIT continues growing investor loan business

October 14, 2019 *By Ben Lane*

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For the second time this year, **Redwood Trust**, a real estate investment trust that specializes in buying and securitizing jumbo mortgages, is growing its real estate investor loan business through an acquisition.

Earlier this year, Redwood Trust paid \$50 million to acquire **5 Arches**, an originator and asset manager of investor-focused loans and the parent company of **5 Arch Funding**.

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But that was just the appetizer. Now comes the main course.

Redwood Trust announced Monday that it is acquiring **CoreVest American Finance Lender**, the real estate investment lender formerly known as **Colony American Finance** for \$490 million.

CoreVest was founded in 2014 and specializes in lending to real estate investors who want to purchase single-family rental homes, townhomes, condos, and small multifamily properties.

The company was known as Colony American Finance until 2017, when Colony American was acquired by **Fortress Investment Group**. At the time, the company rebranded to CoreVest American Finance Lender.

Since its founding in 2014, CoreVest has funded more than \$4 billion in loans, including more than \$1.1 billion in 2019 so far. The company is also an experienced securitization issuer, having recently completed its ninth single-family rental securitization.

In a release, Redwood states that it views the acquisition as a significant boost to its real estate investor lending business.

“Collectively, the platform and assets will significantly expand Redwood’s presence in the BPL market, furthering its position as a leading private-sector source of housing-market liquidity,” Redwood Trust said in a release. “Importantly, the transaction also advances several of Redwood’s key corporate strategic initiatives, including broadening and diversifying its revenue streams, significantly expanding its capacity to create proprietary credit investments, and profitably scaling its infrastructure and operations.”

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According to Redwood Trust, the acquisition includes the CoreVest operating platform and more than \$900 million of related financial assets.

Under the terms of the agreement, Redwood will acquire CoreVest's operating platform and assets, including its business-purpose loan portfolio and subordinate bonds from

CoreVest-sponsored securitizations, from Fortress for approximately \$490 million.

Redwood plans to fund this deal with a mix of cash on hand and shares of Redwood stock, which are payable to the CoreVest executive management team and vest over a two-year period.

"Today we are pleased to announce the acquisition of the CoreVest operating platform," Redwood CEO Christopher Abate.

"CoreVest is a best-in-class operator in the business-purpose lending sector, an area of residential lending that increases liquidity in the housing market by enabling investors to efficiently finance purchases of both single-family and multifamily investment properties," Abate continued.

"Additionally, CoreVest is the standard-bearer for BPL securitizations, having completed more such transactions than any other issuer," Abate added. "Integrating the CoreVest operations and suite of products with our own market-leading consumer mortgage banking and securitization platform will create the preeminent specialty finance operator in our industry."

Dashiell Robinson, Redwood's president, said the acquisition builds on the 5 Arches deal from earlier in the year and will allow the company to capitalize on the "rapidly growing

segment of lending to real estate investors.

As for CoreVest, CEO Beth O'Brien said the company is excited to be joining Redwood Trust.

“Our team has built an amazing platform and brand, and we're poised to enter a new phase of growth by leveraging Redwood's significant, permanent capital base and deep residential credit expertise,” O'Brien said. “Our clients will continue to experience our high level of service, but with an even greater commitment to delivering customized funding solutions at highly competitive rates.”

The companies expect the deal to close within the next two to three business days.

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As managing editor, Ben Lane leads HousingWire's team of



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