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the Advisor

COMMERCIAL REAL ESTATE NEWSLETTER

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Assumption Approval by Year End?

BETTER HURRY BEFORE IT'S TOO LATE



RECENT CASE STUDY

2015 Maturities

WHAT OPTIONS DO YOU HAVE?

Rating Agencies

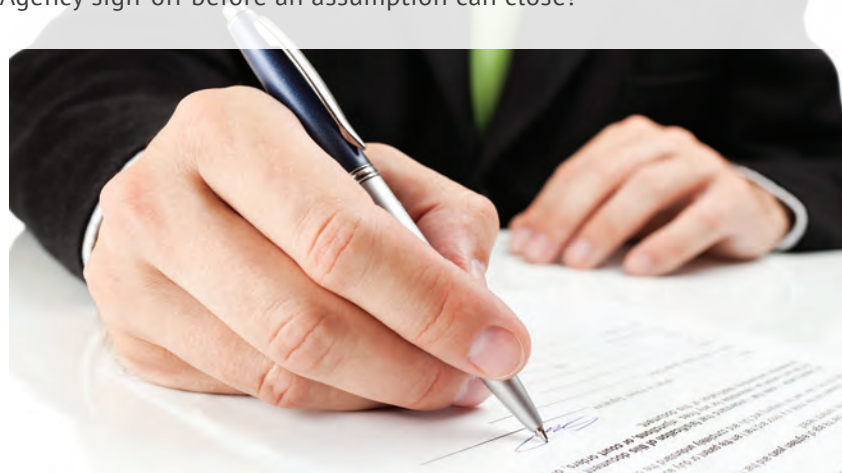
WHEN DO THEY GET INVOLVED?

Assumption Approvals by year-end?

Did you know that all loans \$20MM and over require Rating Agency sign-off before an assumption can close?

In order to ensure the Rating Agencies can handle all requests they receive for year-end approvals, a firm cutoff date is created each year, for receipt of requests. That date has historically been between the 5th and 10th of December. Assumption files cannot be submitted to the Rating Agencies until all approvals are in place (Master, Special, and Controlling Class Certificate Holder) and all assumption documents are in "ready to sign" form.

So, working backwards, and assuming a 90 day closing timeline from original submission of the application to the servicer, that means all assumptions requiring a year-end close will need to be started no later than the first of September! **Now is basically the time to gear up for any year-end assumption closings!**



Anchored Retail Center in Los Angeles, CA

60 DAY APPROVALS

\$25MM Loan originated in 2007
Primary Servicer - Berkadia
Master Servicer - Wells Fargo
Special Servicer - CW Capital
Rating Agency review required

With replacement of warm body carve-out guarantor and fund modification to loan documents

Purchase and Sale Agreement signed March 3, 2014
Buyer and seller submitted all documents to 1st Service by March 7th
Buyer was a FUND and was requesting to replace the current warm body carve-out guarantor with an entity
Due to the fund structure of the buyer, modifications to the loan documents were required as part of this transaction
Complete package was submitted to Berkadia on March 14th along with requested modifications to loan documents
Review and approval process was Berkadia – Wells Fargo – CW Capital
All approvals received by May 16th (approximately 60 days)
Transaction closed on June 13, 2014

\$86.9 Billion of CMBS loans are due to mature in 2015. Approximately half will likely not be able to pay off at maturity due to being overleveraged.

2015

Maturities

8231 Loans | UPB \$86.9 Billion

What options does an owner have when they cannot pay their loan off at maturity? Although the answer is always "it depends," because it will always depend on a lot of circumstances, the general answer is as follows:

1243 Loans - 100+% LTV
630 Loans - 90-100% LTV
899 Loans - 80-90% LTV
The Rest - Below 80% LTV

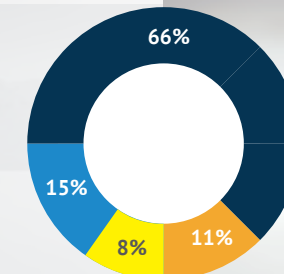
For loans with an **LTV greater than 100%**, there are really only three options to consider:

- Discounted pay off or short sale
- Extension of the term, if time will cure the problem
- Hand in the keys (short sale is a much better option)

For loans with **LTV's between 90 – 100%**, the options are:

- Extension of the term, again, if time will cure the problem
- Obtain high leverage bridge loan to pay off the existing loan

For loans with **LTV between 80 – 90%**, the options are very limited and the loan must either be paid off or extended or a foreclosure is likely.



It is important to keep in mind that most lenders/special servicers require the loan to be paid down at the time of an extension and they will likely charge a 1% extension fee; a bridge loan is typically a better option to consider.

It is clear that at least half of the CMBS loans maturing in 2015 will need the help of a sophisticated and knowledgeable advocate who has access to a wide array of debt and equity options. 1st Service Solutions should be the 1st advocate you consider as we were the 1st advocate in the industry and we remain the #1 rated advocate among commercial real estate owners. **Want to learn more, join us for our free webinar in September.**

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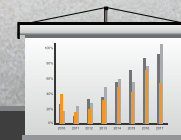
Ready, or not.
Here they come...



FREE WEBINAR SEPTEMBER 8TH

Creative Solutions for
Maturing Loans

Approximately \$350 Billion
of CMBS debt is maturing
in the next 3 years.



Register Today