

# Getting an A/B note modification is only half the battle

As a relatively recent development in the world of CMBS loan workouts, the A/B note bifurcation has quickly developed into a “win-win” strategy for Lenders and Borrowers alike. The A/B note allows a borrower to make debt service payments on, only, a loan amount close to the actual current value of the property, while keeping the Lender from having to absorb a large loss on a loan, today.

The process of agreeing to the terms of an A/B loan can be quite arduous as there are MANY different individual points to be negotiated between Lender and Borrower, many of which can completely change the projected outcome of such a structure. However, it is an effort worth undertaking as it has been the difference, for many CMBS borrowers between keeping their property, and foreclosure,



As complicated as structuring an A/B note can be, it is really only half the battle. The first “wave” of borrowers who obtained A/B note mods are only now arriving at the first opportunity to exit that structure; via a sale of the asset or a refinance of the existing debt. What those borrowers are quickly discovering is that the process of navigating the process to pay off the A/B note can be almost as complicated as setting it up in the first place.

In most A/B modification documents, the process includes time lines, notice requirements, a complicated process of two or even three appraisals, establishment of a valuation of the asset and compliance with requirements regarding what documents need to be provided to the lender, ALL before you are allowed to execute the exit strategy.

We’re now seeing clients, whom we helped to achieve A/B mods, contact us to help them work through this complicated process. The client correctly presumes that the group that helped them get the mod in the first place is best suited to help them complete the deal.

As an industry leader in helping borrowers successfully achieve A/B note mods, we also have the knowledge, experience and servicer relationships necessary to safely get a borrower through the danger-fraught waters of executing their exit strategy.

If you have a property that is experiencing troubles and don’t know how to approach your lender to seek a resolution, or, if you have tried to speak with your lender only to have your pleas fall on deaf ears, give us a call. We are happy to provide a no-cost consultation to review your situation and let you know how we can help you achieve a workout with your lender.

If you have already obtained an A/B note modification and are approaching the time when you can begin to think about an exit strategy, we are the experienced advocate team that can help achieve that goal.

We also have relationships with many different capital providers that may be able to help with exit financing. Let us show you how we can help you get to where you want to be!

**BY KEVIN DUTY**  
**1<sup>ST</sup> SERVICE SOLUTIONS**