

*Free Webinar*

**What You Need to  
Know To Avoid Excess  
Costs and Problems**

*Presented By:*



**CMBS AND HOTELS**

# Hosted by Charlie Fritsch of MBA Hotel Brokers and MBA Capital Funding

## Co-Hosted by Ann Hambly and Bill Stuckeman of 1st Service Solution



**Charlie Fritsch** is President of MBA Hotel Brokers Inc. and MBA Capital Funding Inc. Charlie has 22 years of commercial real estate experience; marketing, selling, and arranging financing exclusively on hotels.



**Ann Hambly** is Founder and CEO of 1st Service Solutions. Ann founded 1st Service Solutions in 2005 to advocate for commercial real estate borrowers. Prior to that, Ann had a 30 year career in the commercial loan servicing sector.



**Bill Stuckeman** is Managing Director of the Lodging Division at 1st Service Solutions. Bill has over 30 years experience in the hotel industry.



**Rob Seidenwurm** serves as SVP of Legal Outreach for 1st Service Solutions.

# MBA HOTEL BROKERS

National real estate brokerage firm focused exclusively on hospitality properties.

- ▶ 30+ Years of Commercial Real Estate Experience
- ▶ 8 Brokers, Licensed in 17 States Total
- ▶ Sales in 26 States
- ▶ Recent Hotel Sale Transactions Involving CMBS Loans



# MBA CAPITAL FUNDING

Commercial mortgage and financing services firm specializing in all loan types for hospitality properties

- ▶ 30+ years of commercial financing experience
- ▶ Wide network of lenders from banks, non-banks, and government backed loan programs
- ▶ All loan types from SBA to conventional to CMBS loans
- ▶ Recent refinance of maturing CMBS debt
- ▶ Now sourcing new CMBS debt for hotel owners



# 1ST SERVICE SOLUTIONS

First firm dedicated to serving exclusively as a borrower advocate for loan restructures and assumptions within CMBS

- ▶ We provide advice and solutions for anything ranging from the addition or removal of collateral on an existing CMBS loan, to the most complex loan restructure for all loan types, nationwide.
  - ▶ Loan Assumptions
  - ▶ Loan Restructures
  - ▶ Performing Loan Requests
  - ▶ Non-Performing Loan Requests



[www.1stsss.com](http://www.1stsss.com)



# AGENDA

- New CMBS Loans
- Performing Loan Requests
- Assumptions
- 2016-2017 Maturities
- Non-performing Loan Options



NEW

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**CMBS LOANS**

# LOAN AGREEMENT

## Calculation of DSCR

- ▶ Springing cash management if DSCR drops below 1.5 for 2 consecutive quarters - BUT DSCR calculation is made by servicer and they can normalize rental income, management fees, etc.

## Material Lease Definition

- ▶ Flexibility only

## Late Fee

- ▶ Applies to balloon payments

## Replacement & Seasonality Reserves

- ▶ Lender can reassess need at any time and increase the amount paid into the reserve account

## Assumptions

- ▶ Allowed one time only



# LOAN AGREEMENT (Continued...)

## Environmental Issues

- ▶ Upon lender's request *and for no reason*, borrower has to get a phase I

## Modifications at Securitization

- ▶ Borrower is agreeing to modify its loan at securitization so the lender can get the highest proceeds at securitization and they are agreeing to pay all costs

## Franchise

- ▶ Requirement that it be in place at all times - possible recourse

## Fees for Late Financing Reporting

- ▶ Large fees (\$10K or more) are now being added for late financial reporting

## Independent Director

- ▶ Must have an Independent Director that has a nationally recognized name

## Cash Management



PERFORMING

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**LOAN  
REQUESTS**

# PERFORMING LOAN REQUESTS

## Types

- ▶ PIP disbursement
- ▶ Restructuring seasonality reserve
- ▶ Brand specific upgrades
- ▶ Release of portion of collateral
- ▶ Release of reserves for anything other than specified in loan documents

# CASE STUDY

## Hampton Inn

- ▶ Servicer would not release FF&E reserve due to the debt service coverage ratio (DSCR) being below the ratio stipulated in loan documents
- ▶ Owner/ Borrower made multiple attempts to get the servicer to release the FF&E reserve
- ▶ Servicer offered some compromise which did not serve the owner/ borrower's interests
- ▶ Borrower became so frustrated with servicer, that Borrower opted to pay a defeasance fee over \$1 Million and refinanced the loan to a non-CMBS loan
- ▶ How 1st Service Solutions may have improved the outcome for the borrower





CMBS

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**ASSUMPTIONS**



# CASE STUDY

## Ramada Inn

- ▶ Sold by MBA Hotel Brokers, December 2015 for \$6.3 Million
- ▶ 2 initial sale attempts were rejected because the servicer did not approve the buyers for assumption of the CMBS loan



# CMBS ASSUMPTIONS



Sponsor  
Property Manager  
Guarantor(s) Net Worth & Liquidity

# TYPICAL RESERVES

## FF&E

- ▶ 4 - 5% gross revenue
- ▶ Brand requirements
- ▶ QA
- ▶ Remaining term of franchise

## PIP

## Seasonality

## DSCR

- ▶ 6-12 months
- ▶ Based on trailing 12 month NOI



CMBS HOSPITALITY

# MATURITY MARKET

# CMBS HOSPITALITY MATURITY MARKET

## 2016 Maturities

- ▶ \$21.5 Billion

## 2017 Maturities

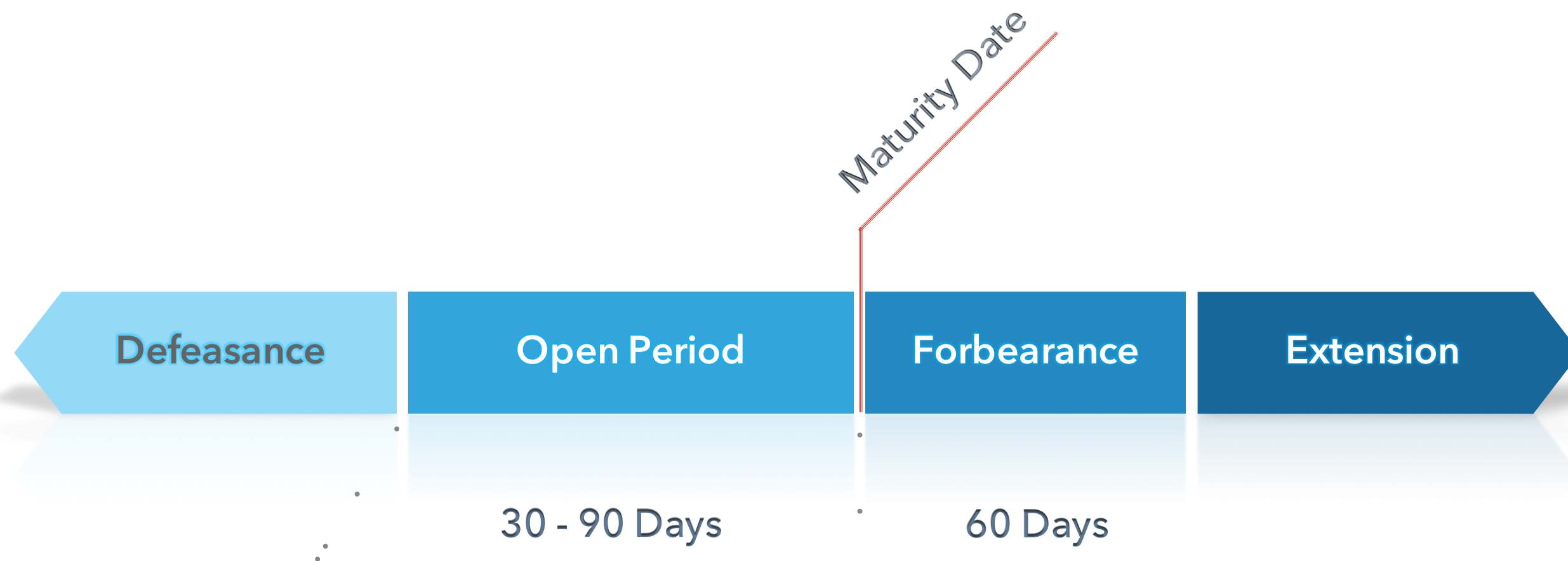
- ▶ \$14.9 Billion

## Key Considerations

- ▶ PIP
- ▶ Franchise



# MATURITY DATE = PAYOFF DATE



# CASE STUDY

## Holiday Inn Express

- ▶ Refinanced by MBA Capital Funding November 30, 2015
- ▶ Paid off at maturity on Dec. 1, 2015, to avoid paying interest on both the new loan and the CMBS loan for the month
- ▶ This maturing CMBS loan had a 30 day repayment window
- ▶ Important to negotiate a 90 day repayment window upon maturity



# CASE STUDY

## La Quinta Inn & Suites

- ▶ Approaching maturity with an estimated market value below debt balance at maturity
- ▶ What options are there to consider?



# CASE STUDY

## Crowne Plaza

- ▶ A low debt service coverage ratio (DSCR) reported on the year end profit and loss statement
- ▶ Which triggered a technical default
- ▶ Which triggered an account sweep (taking all money out of the hotel operating account)
- ▶ Resulting in the sale of the loan
- ▶ And the loss of the hotel



# SERVICES

## 1<sup>st</sup> Service Solutions

- ▶ Loan Assumptions
- ▶ Loan Restructures
- ▶ Performing Loan Requests
- ▶ Non-Performing Loan Requests

## MBA Hotel Brokers and MBA Capital Funding:

- ▶ Broker Opinion of Value
- ▶ Advise on best strategy to sell or refinance hotels with existing or maturing CMBS loans
- ▶ Brokerage services to sell a hotel with a CMBS loan assumption
- ▶ Brokerage services to sell a hotel with a maturing CMBS loan
- ▶ Arrange new hotel CMBS loans
- ▶ Refinance maturing CMBS loans to either a non-CMBS loan or a new CMBS loan



# CONTACT INFORMATION



## MBA HOTEL BROKERS

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