

# CMBS Short Sale: The Path to Success



Speaker: Ann Hambly

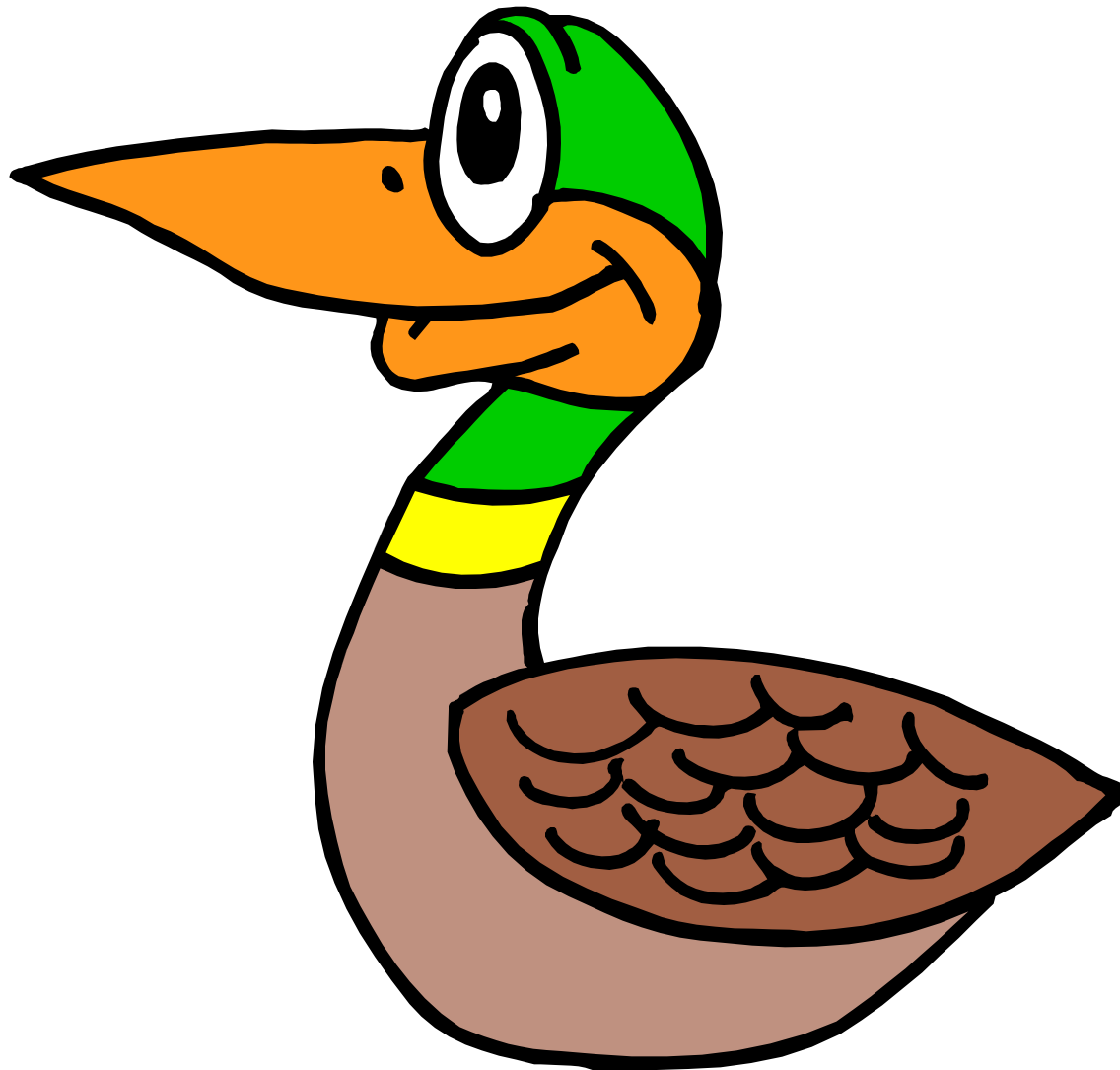
# About 1<sup>st</sup> Service Solutions



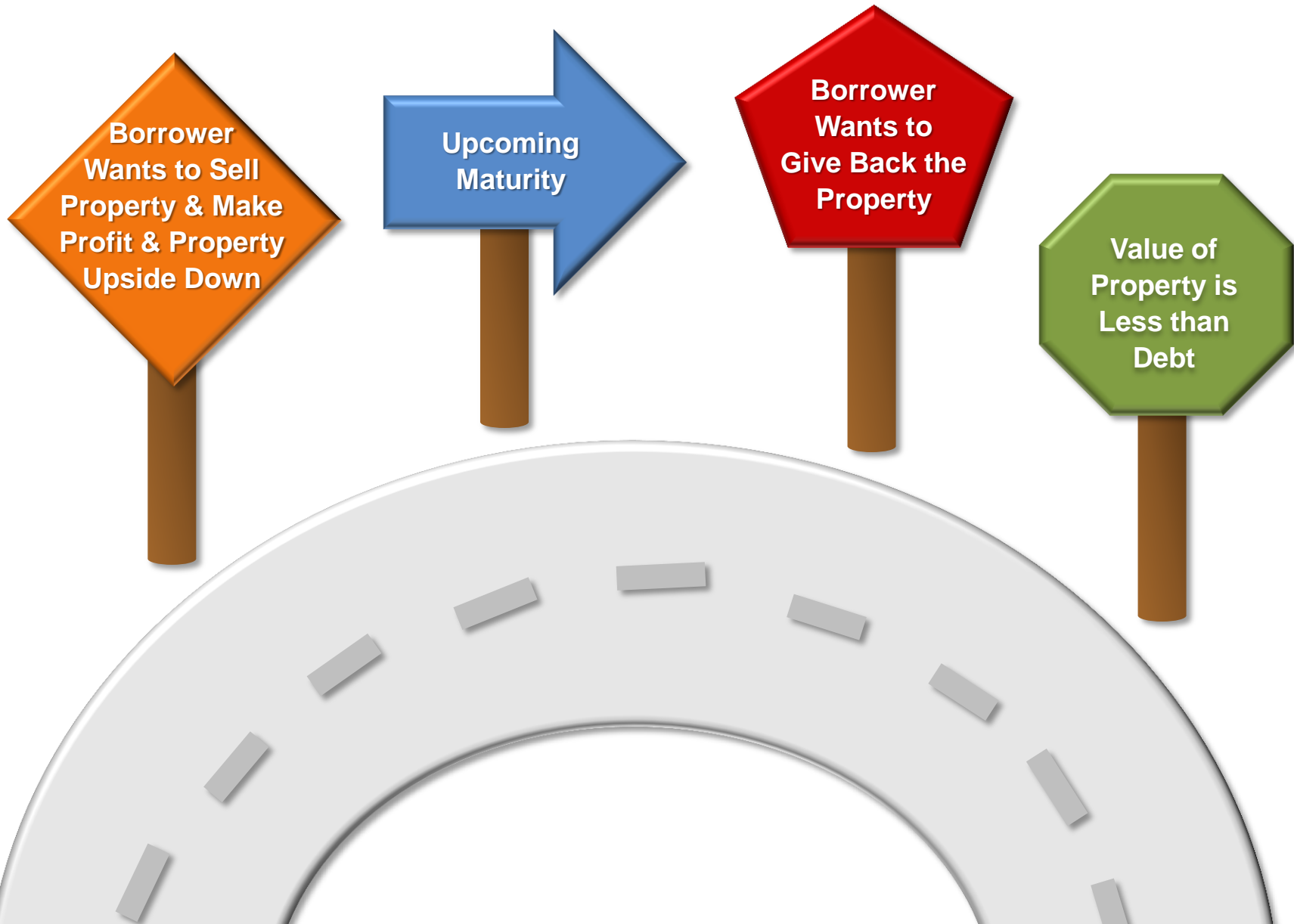
- Founded in 2005 by Ann Hambly
- Ann Hambly & Mike Meisenbach are Co-CEOs
- Advocated over \$11 billion to date
- Current pipeline is over \$6 billion
- National company based in Dallas, Texas
- Average loan size = \$30 million, with loans ranging from \$2-\$300 million

# Could a Short Sale Be Your Best Route?



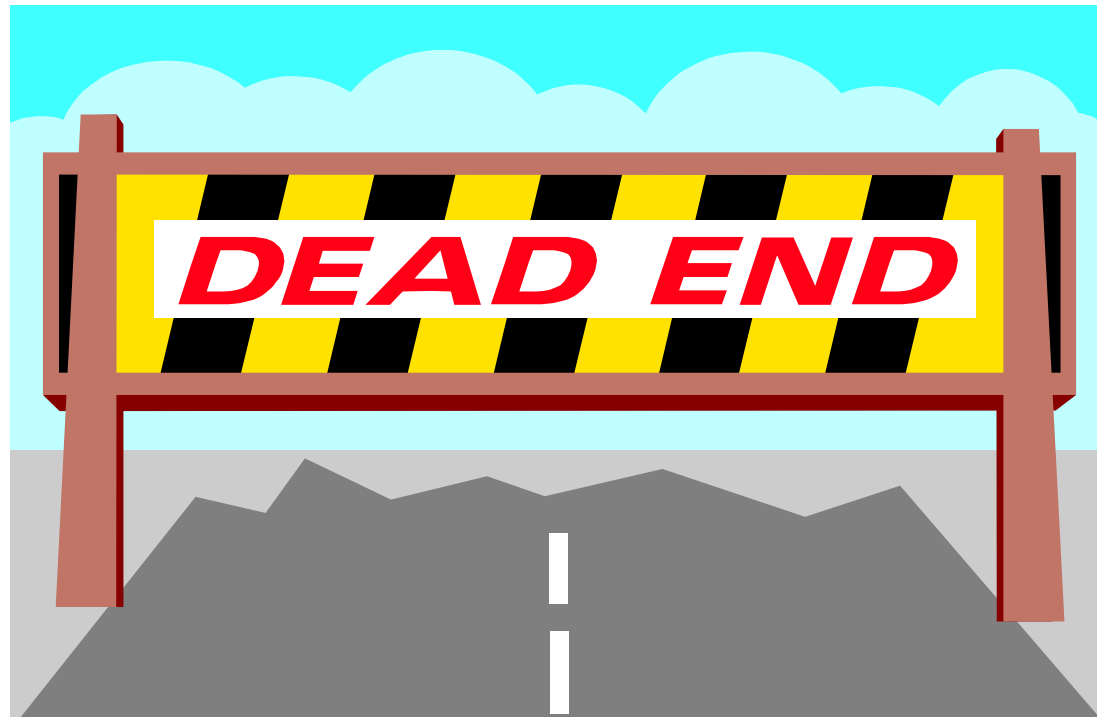


# Good Short Sale Candidates



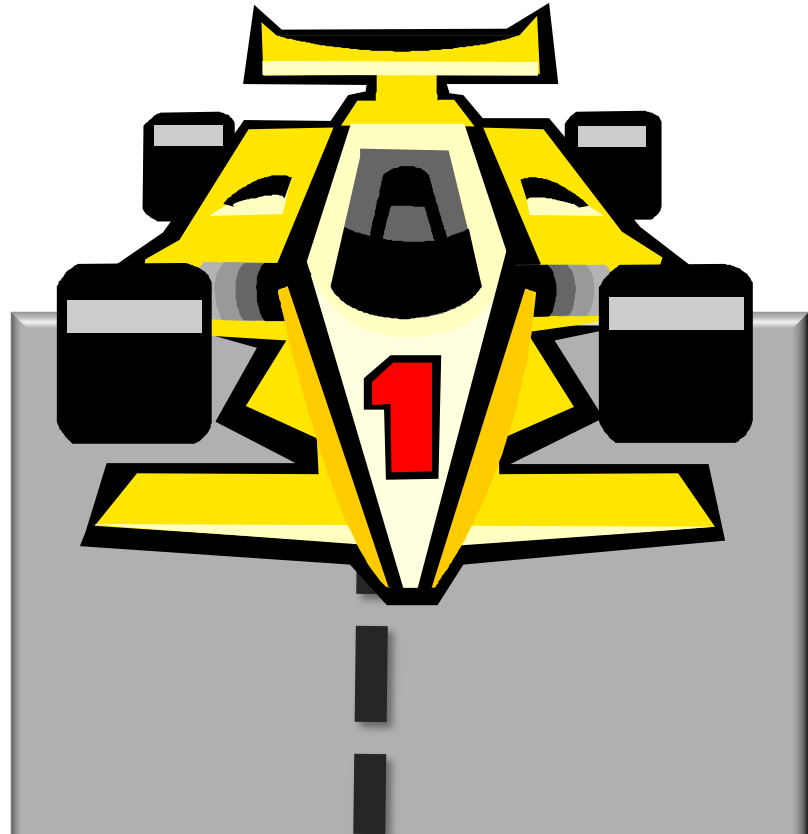
# Unless . . .

- Property worth more than the loan amount
- Property value will return by loan's maturity date
- Loan Size



# Starting the Journey

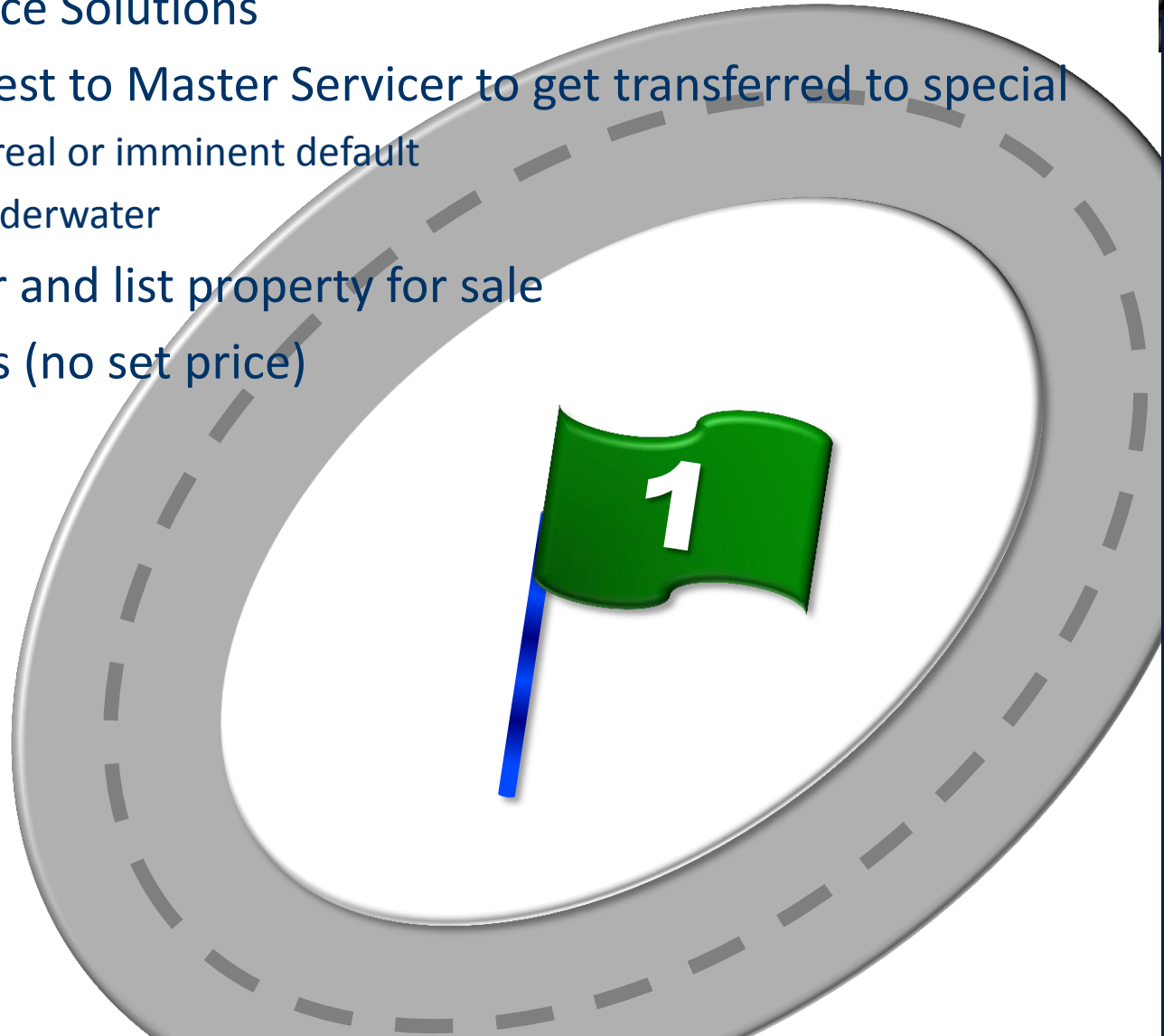
- Master servicer cannot modify a loan or approve a short sale
- Special servicer is the only party who can
- Two ways to get to special servicer:
  - Actual default
  - Imminent default



# Lap One



- Hire 1<sup>st</sup> Service Solutions
- Submit request to Master Servicer to get transferred to special
  - Must be a real or imminent default
  - Not just underwater
- Hire a broker and list property for sale
- Take in offers (no set price)





# Lap Two

30-60 days

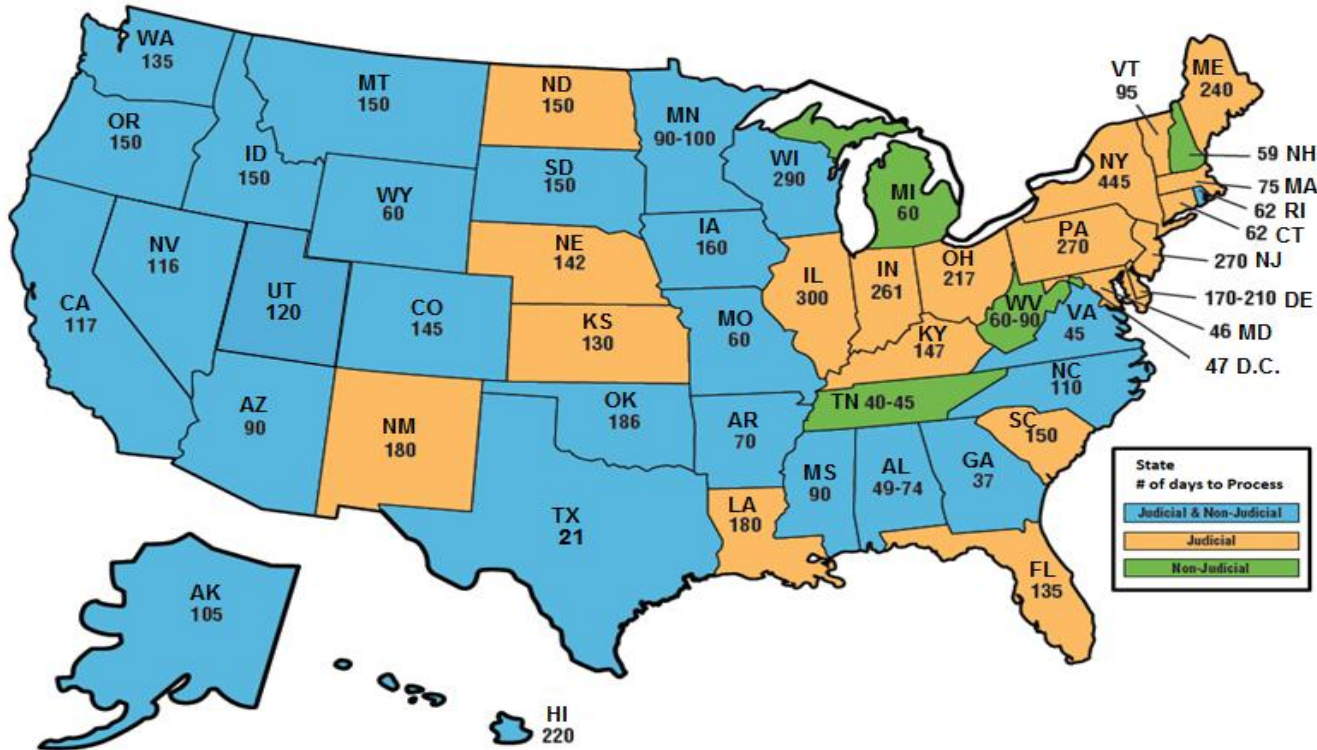
After loan transferred to special servicing

- Sign PNA
- Officially request DPO
  - NPV
  - Special Servicer will order appraisal and determine value



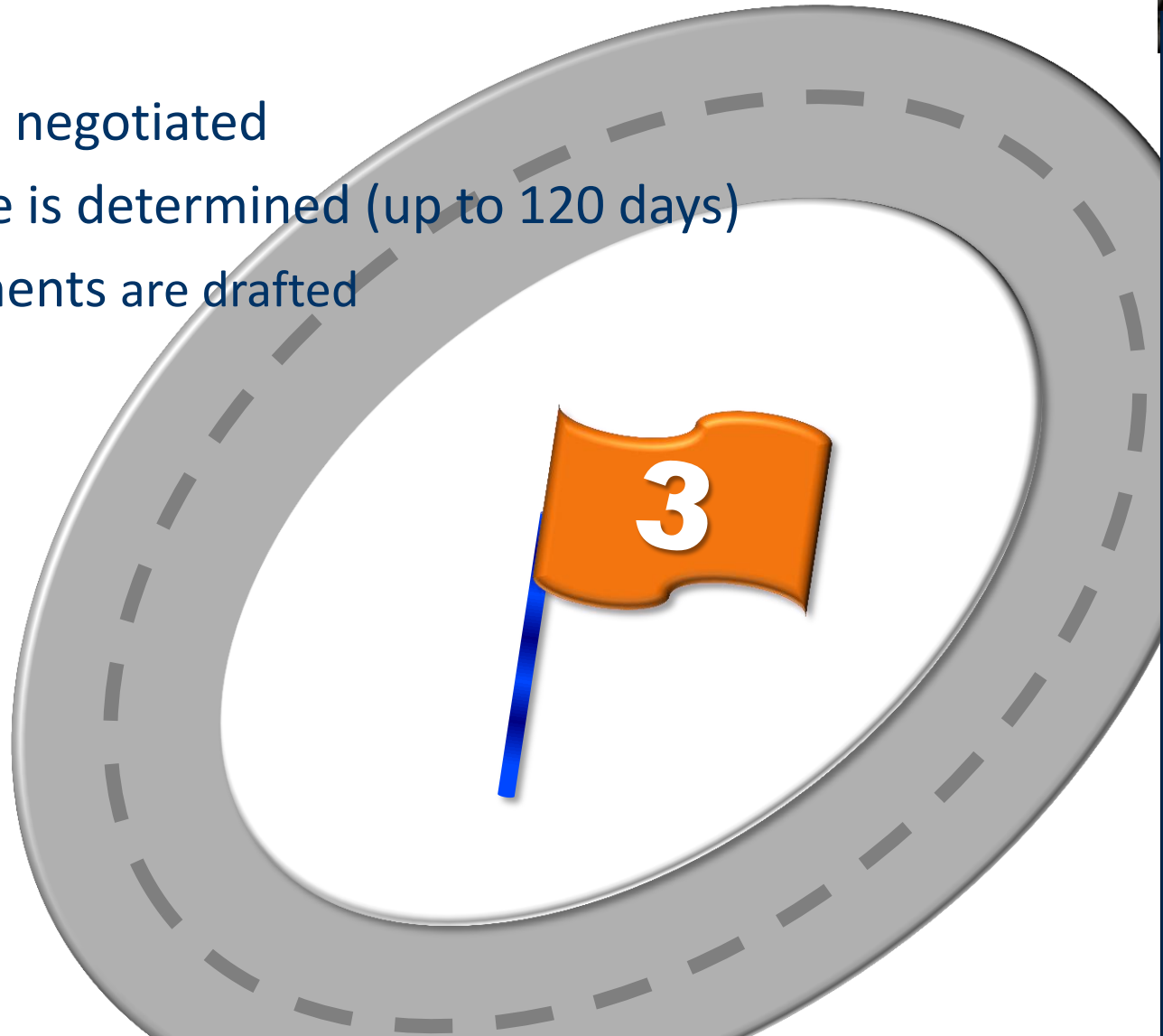
# Location Of Property Drives NPV

## Days to Foreclose by State



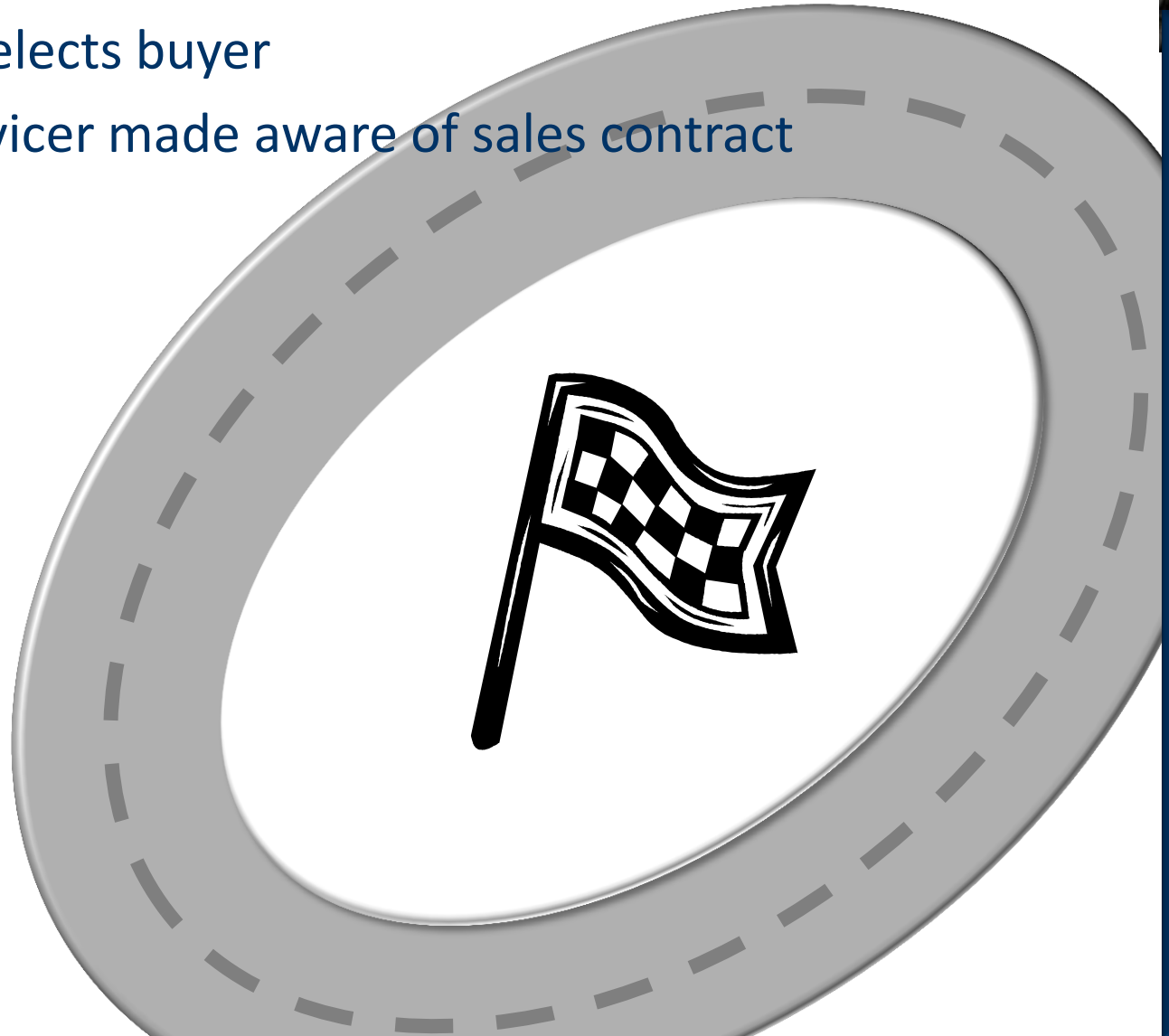
## After Special Servicer determines value & NPV

- Final deal is negotiated
- Closing date is determined (up to 120 days)
- DPO documents are drafted



# Lap Four

- Offers are received
- Borrower selects buyer
- Special Servicer made aware of sales contract
- DPO closes



# Case Study: Straight Forward Short Sale



- Industrial (multi-tenant building)
- New York
- \$48 million loan
- Loan originated in 2003
- Current value of property = \$20 million
- NPV = \$10.1 million

## Solution

- Special Servicer agreed to \$12 million discounted payoff
- Borrower sold property for \$18 million
- Special Servicer agreed to give borrower 4 months to close with new buyer

# Case Study: Note Sale



- Retail
- Chicago, Illinois
- Loan originated in 2007
- \$36.3 million loan
- Current value of property \$21.7 million
- NPV= \$17.6 million

## Solution

- Special servicer agreed to \$18.2 million discounted payoff and to sell the note and give borrower 3 months to close with new buyer
- Borrower sold property for \$21.2 million
- **New buyer agreed to keep existing note in place until its due date in 2017**
- **Borrower avoided immediate tax consequences**
- New buyer obtained \$11.6 million loan

# Case Study: Some Partners Stay in Deal



- Office
- Florida
- Loan originated in 2006
- \$41.2 million loan
- Current value of property \$24.6 million
- NPV= \$22.3 million
- Only some of the partners wanted to continue to own and contribute new money

## Solution

- Borrower sold property for \$24.6 million
- Special servicer agreed to \$22.6 million discounted payoff and gave borrower 3 months to close
- Some of the existing partners contributed \$3.4 million for a pari passu return with new buyer
- New buyer contributed \$6.2 million and received 100% control
- Some of the existing partners became part of the new ownership structure

# What It Takes for Success

- Higher probability of modification – The 5 M's
  - Model
  - Menu
  - Managers
  - Magnitude of deals done
  - Manage borrowers' expectations





# Ann Hambly's Resume



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Ann Hambly created 1st Service Solutions in 2005 recognizing the need for a borrower advocate in commercial real estate. Hambly has over 30 years of commercial real estate servicing experience and has served as the CEO of servicing for Prudential, Bank of New York, Nomura, and Bank of America. In 2011 she was recognized as one of the most influential woman in commercial real estate by National Real Estate Investor. She has also been recognized as one of the top 25 CEOs across all industries in a book called True Leaders. She has been at the forefront of setting industry standards for commercial real estate and has led many initiatives for industry groups that included attorneys, rating agencies, master and special servicers, trustees, and bondholders.

Hambly is sought after as a featured speaker for conferences that include CMBS borrowers, lenders, and attorneys. She is currently on the Federal Reserve Bank of Atlanta's 'think tank' for commercial real estate and was recently asked to do a presentation to the Federal Reserve about some problems in the CMBS industry and commercial real estate in general.

She has led CLE courses for attorneys and has been a featured speaker for groups as large as 4,000. She is also a frequent author of articles for publications like Wall Street Journal, France, Scotsman Guide, Globe Street, Hotel News Now and others.

Hambly was the Chair of the Commercial Board of the MBA in 2003. In that role, she had the opportunity to present industry changing events to the House of Representatives, Congress and other leaders in our Nation. She is currently a member of the prestigious Real Estate Roundtable and the NAIOP / Capital Markets Forum. She has served on many boards in addition to the MBA including: CMSA, (CREFC), NMHC and RECRA. She also led the CEO Servicer Roundtable for many years which included the CEOs of all the major servicing organizations in the Nation.