

# 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

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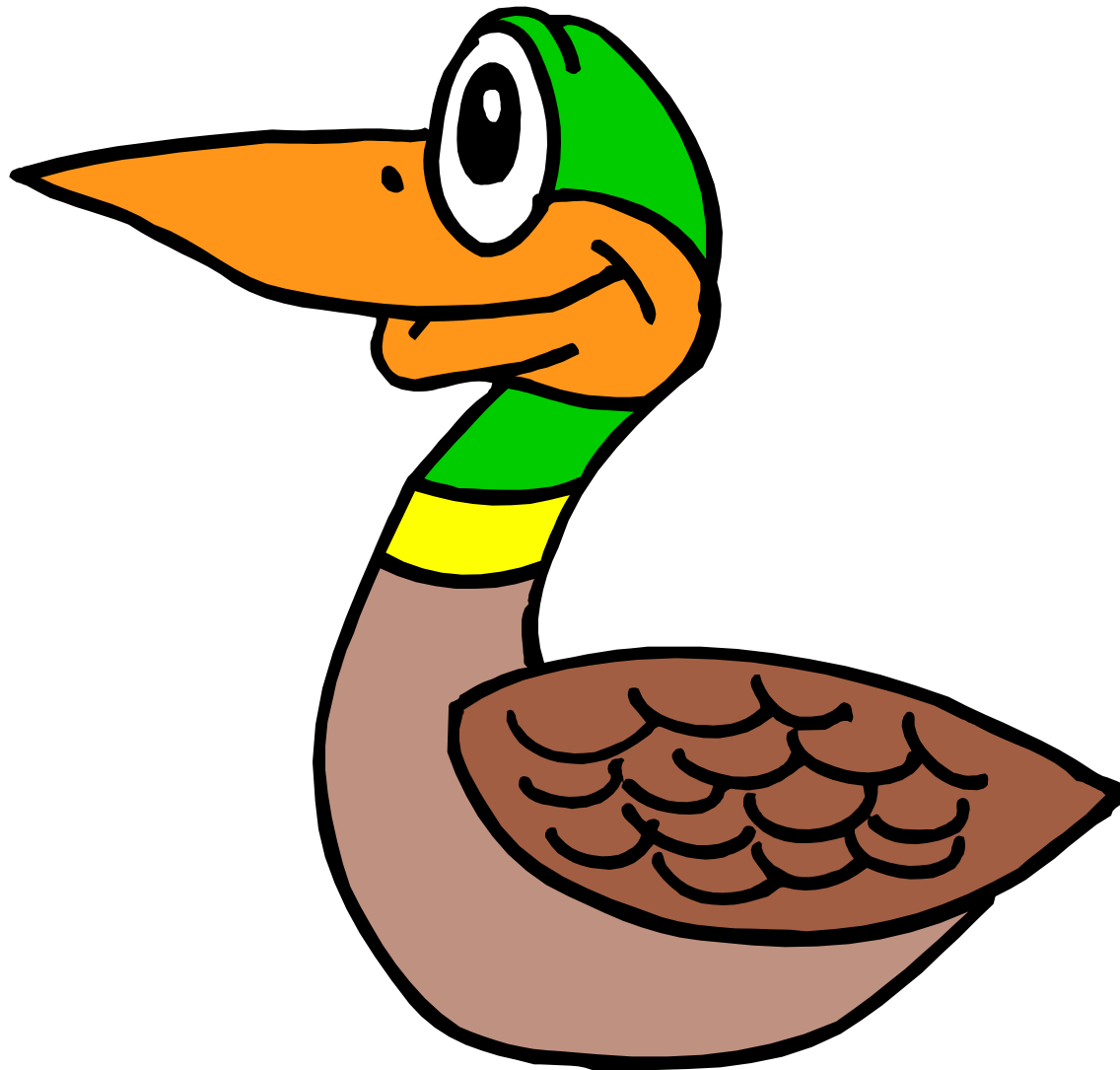


# Could a Short Sale Be Your Best Route?



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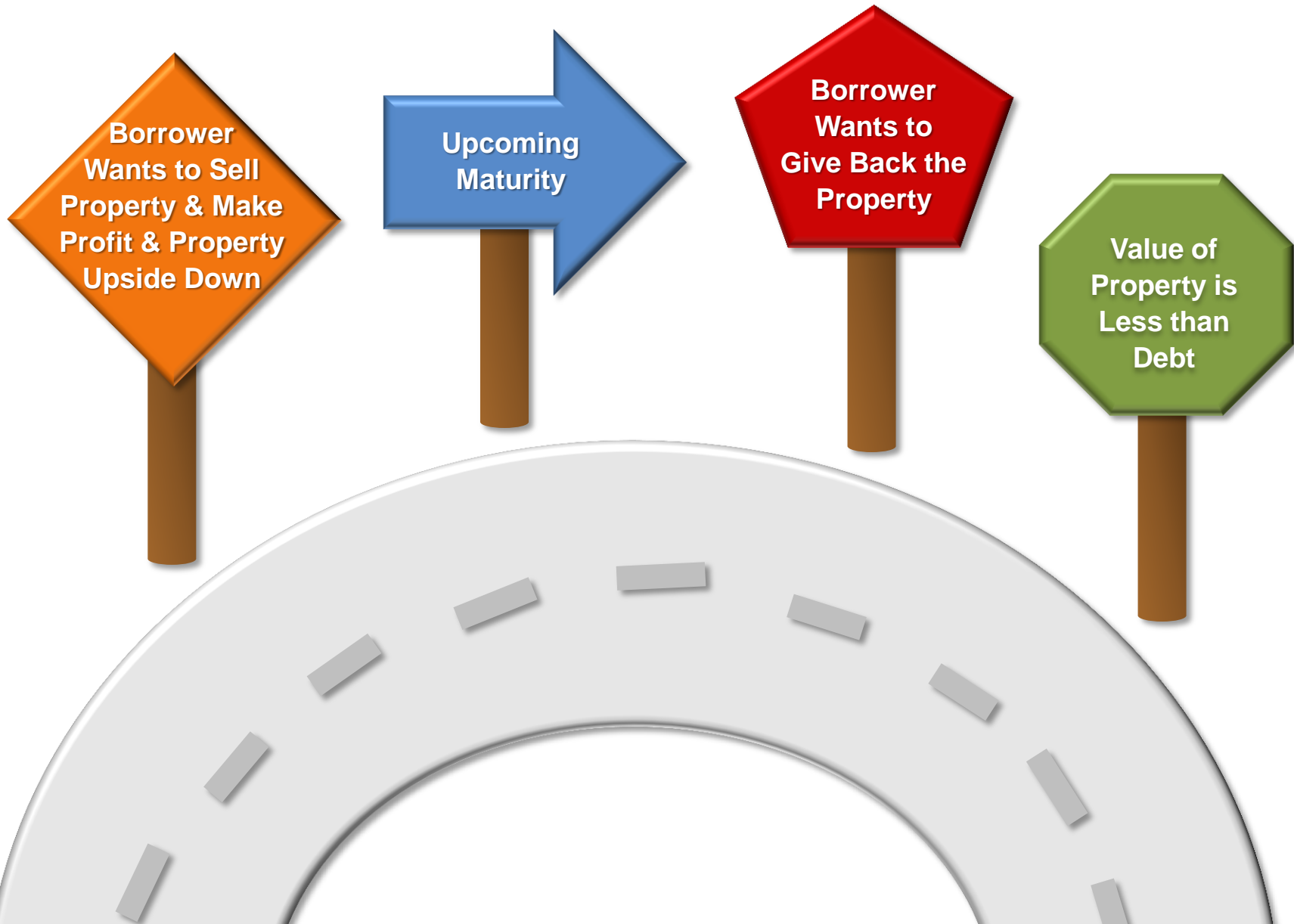




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# Good Short Sale Candidates



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# Unless . . .

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



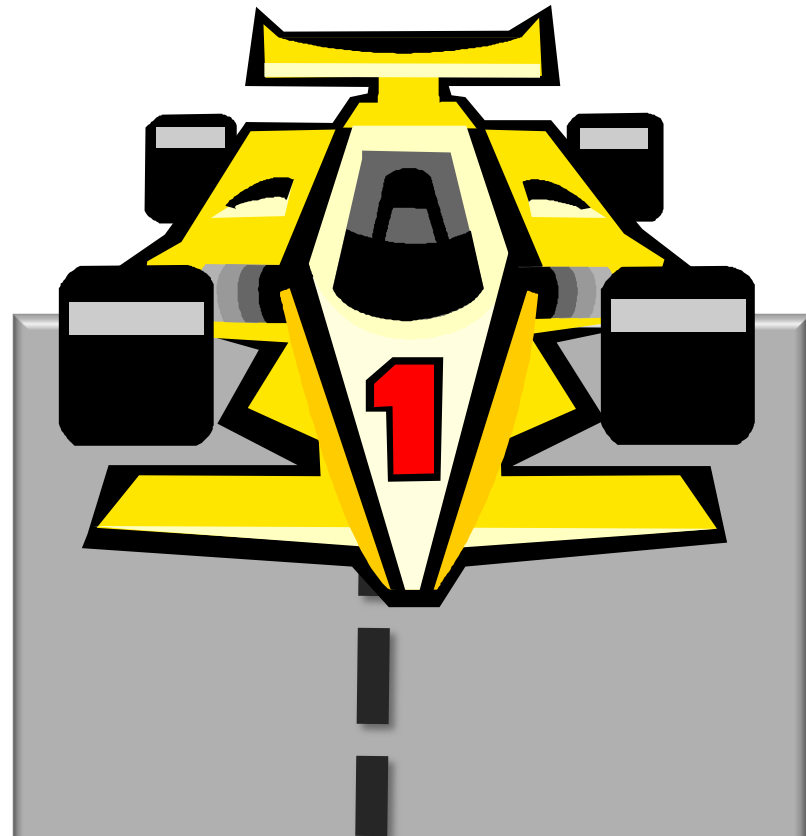
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# Starting the Journey



- 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



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# 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)



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# Lap Two

30-60 days

After loan transferred to special servicing

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



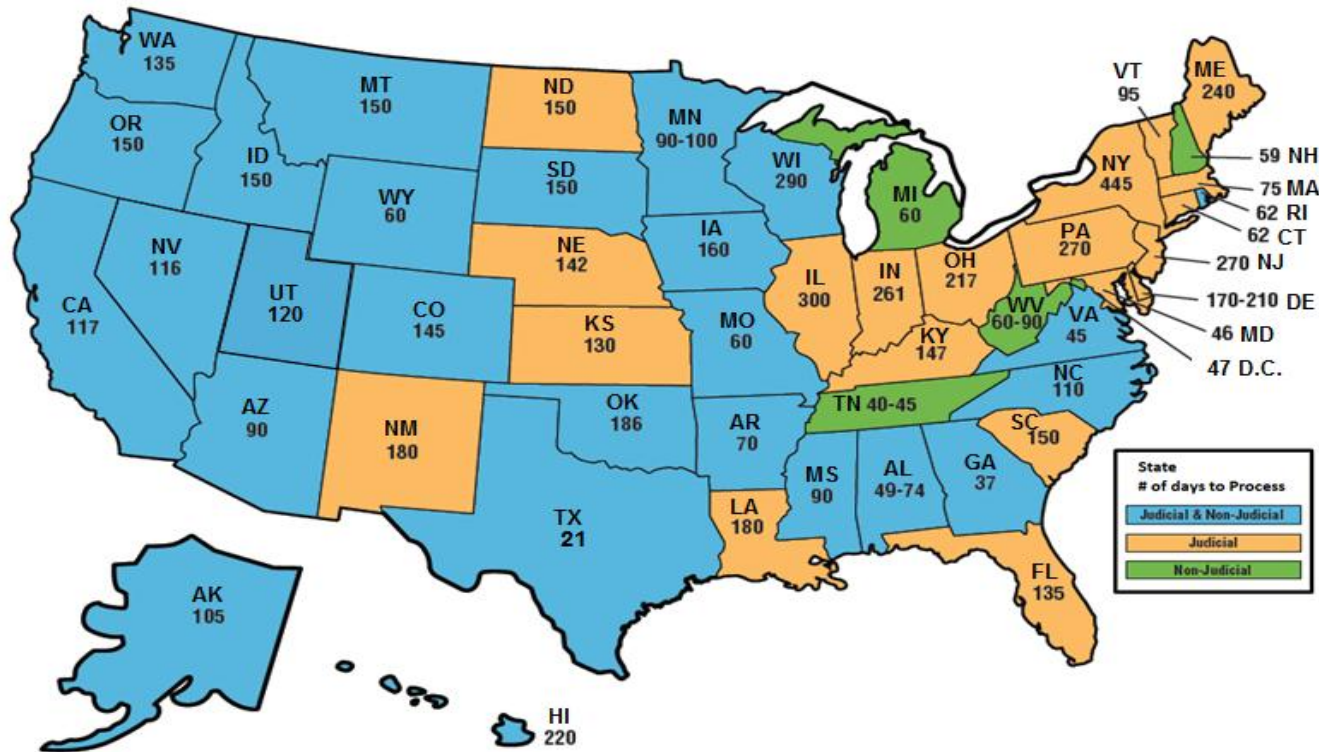
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# Location Of Property Drives NPV



## Approximate Minimum Number of Days to Process a Foreclosure by State

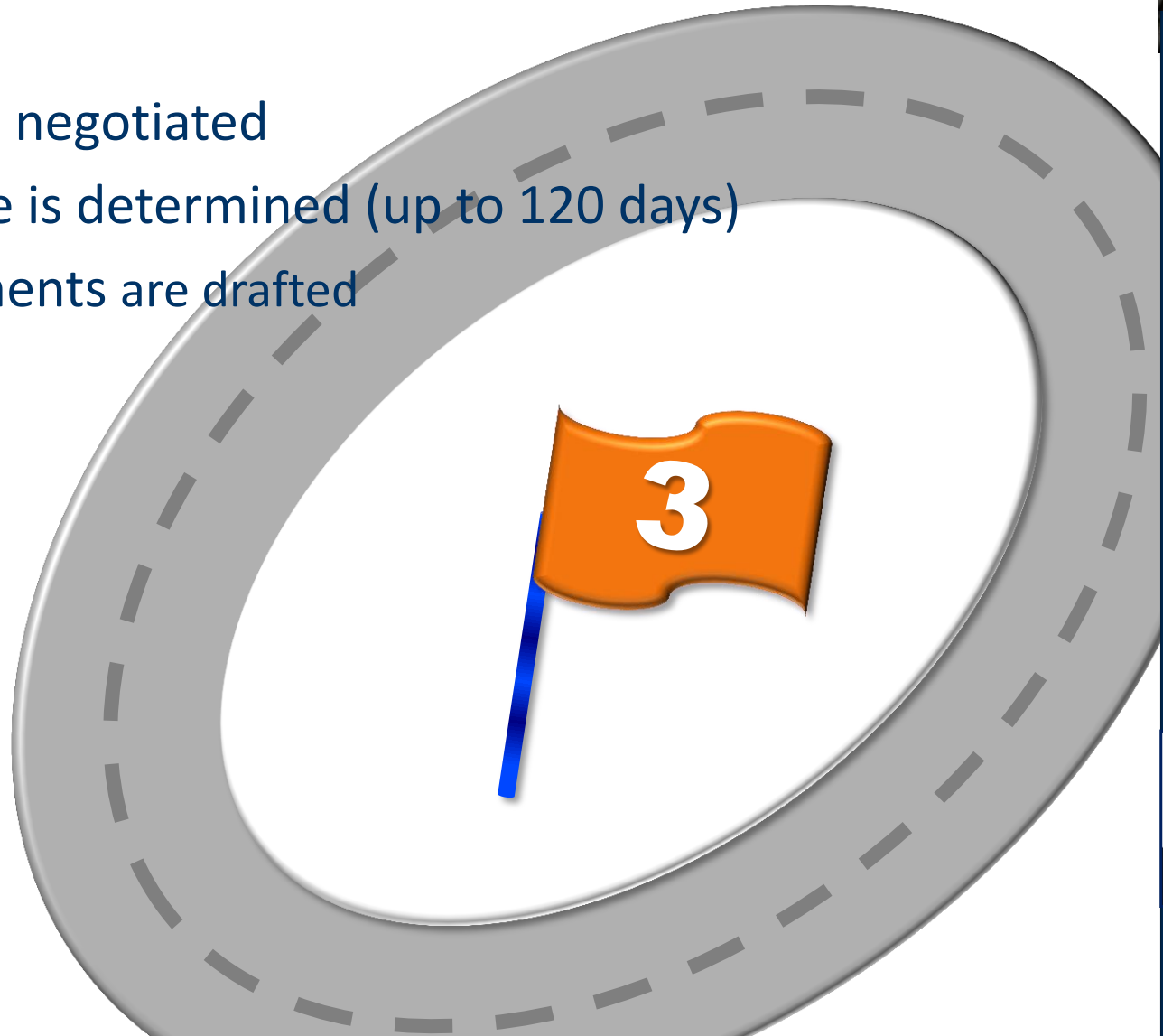


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## After Special Servicer determines value & NPV

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



# Final Lap

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



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# 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

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# 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

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# 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

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# What It Takes for Success

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



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# Ann's Resume



- Founded 1st Service Solutions in 2005, recognizing the need for a borrower advocate in commercial real estate.
- 30 years of CRE servicing experience, including CEO of servicing for Prudential, Bank of New York, Nomura, and Bank of America.
- At the forefront of setting CRE standards throughout her career:
  - Current member of prestigious **Real Estate Roundtable**, the **NAIOP Capital Markets Forum** and the **Federal Reserve Bank of Atlanta's** "think tank" for commercial real estate.
  - 2003 Chairperson of the **MBA's** Commercial Board, and in that role presented industry-changing initiatives to Congress.
  - Chairperson of **CEO Servicer Roundtable**, comprised of the major servicing firms across the nation .
  - Other board positions, including **CREFC** (f.k.a. CMSA), **NMHC** and **RECRA**.
- Named one of *National Real Estate Investor's* 2011 Most Influential Women in Commercial Real Estate and a True Leaders Top 25 CEO, a recognition crossing all industries.
- Sought-after speaker for CMBS borrowers, lenders, and attorneys groups as large as 4,000. Also has led CLE courses for attorneys.
- Frequent author of articles and quoted source for publications such as *Wall Street Journal*, *Scotsman Guide*, *Globe Street*, *Hotel News Now* and France Media publications.

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