

Prudential Asset Resources



Mortgage Bankers  
Association  
2005 CREF/Multi-Family  
Conference  
"Loan Payoffs"

February 8, 2005


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# Loan Payoffs

- Anticipated Payoffs
  - Amortization (Maturity Date)
  - Balloon (ARD)
  
- Review your loan documents
  - Note
  - PSA (Pooling and Servicing Agreement) if applicable
  
- Document Release/Assignments
  - Lien Releases; Deed, Mortgage, Assignments, UCC's



# Loan Payoffs

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- Assignment of lien and loan documents
  - Assignments
    - Use only nationally reputable title insurance companies
    - Cost savings – State Transfer tax i.e. Florida, New York
  - Escrows
    - Net at closing
    - Post-Closing

# Loan Payoffs

- Payoff Quote Fees
  - Loan Documents
  - Individual Company Policy (\$300-\$500)
- Payoff Quotes
  - Auditing
  - State Laws - Some states require acceptance of lower payoff than actual, even if mistake was made



# Pre-Payment Penalties

- Penalty or Premium
- Loan Documents/PSA's
  - Lockout Period – CMBS
    - Life of Loan
    - Typical is 24-48 months, if no Defeasance
    - If Defeasance allowed – Earlier of 4 years from date of note, or 25 months from securitization



## Pre-Payment Penalties Cont.

- Pre-Payment Fee Schedule

- 5%, 4%, 3% ,2% 1%

- Yield Maintenance

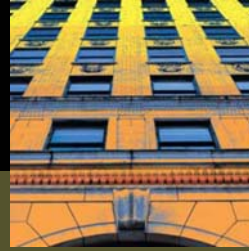
- ❖ The present value of a series of payments each equal to the Payment Differential and payable on each Payment Date over the remaining original term of this Note through and including the Maturity Date, discounted at the Reinvestment Yield for the number of months remaining as of the date of such prepayment to each such Payment Date and the Maturity Date.

## Pre-Payment Penalties Cont.

- Exhibit "A" – Yield Maintenance Calculation Example
- Exhibit "B" – Borrower Payoff Cost Comparison



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