



## CASE STUDY

### LOAN SALES MAXIMIZE RETURNS FOR CMBS SPECIAL SERVICES



#### TOTAL LOAN SALES

\$1,280,000,000

#### SUMMARY

Selling loans from CMBS trusts requires a different and more complex set of contractual, procedural, NPV and legal analyses and considerations. Mission has sold more mortgage loans directly from CMBS trusts than any other financial advisor. Prudent special servicers use note sales as an active and proactive portfolio asset management tool to maximize CMBS returns.

#### CMBS TRUST/PSA CONSIDERATIONS

While loan sales conducted in the secondary market directly from CMBS trusts are governed by each trust's respective pooling and servicing agreement (usually in Section 3.18, which governs the sale of "REO Properties and Defaulted Mortgages"), special servicers each interpret their ability to make representations and warranties differently. In addition, attorney's opinions vary based on (a) the relative novelty of "direct from CMBS trust loan sale" practice and (b) the latitude that certain PSAs give to conduct "customary and reasonable" operations.

A full review of the applicable PSAs should be conducted prior to the commencement of a loan sale direct from a CMBS trust to determine if the PSA expressly forbids the use of representations and warranties or provides specific limitations to determine and adhere to PSA mandated approvals, processes and rules for asset sales, to determine if the PSA expressly forbids asset sales, and/or to determine if any parties are specifically forbidden from bidding on such asset sales.

#### CONCLUSION

It is a prudent portfolio management technique and maximizes bondholder returns to (a) early on in the special servicing process and (b) continually during the special servicing process, evaluate the entire special servicing portfolio to analyze loan sale viability and NPV relative to all other exit strategies.

CMBS SPECIAL SERVICER TRANSACTION EXPERIENCE				
UNPAID PRINCIPAL BALANCE	ASSET COUNT	DATE	COLLATERAL TYPE	LOCATION
\$59,000,000	15	2002	Portfolio	Various
\$139,000,000	20	2003	Portfolio	Various
\$4,800,000	1	2004	Assisted Living	Brooklyn, NY
\$167,000,000	37	2004	Portfolio	Various
\$31,200,000	30	2004	Bankruptcy Claim	Various
\$75,000,000	1	2004	Hospitality	Las Vegas, NV
\$32,900,000	16	2005	Restaurants	Various
\$5,290,000	5	2005	Bankruptcy Claim	Various
\$3,680,000	1	2005	Multifamily	Austin, TX
\$4,100,000	1	2005	Multifamily	Charlotte, NC
\$3,900,000	1	2005	Multifamily	Dallas, TX
\$48,900,000	1	2005	Hospitality	Orlando, FL
\$164,700,000	35	2005	Portfolio	Various
\$6,020,000	1	2005	Multifamily	Dallas, TX
\$1,900,000	1	2005	Office	Avon, CT
\$3,800,000	3	2006	Bankruptcy Claim	Various
\$14,100,000	10	2006	Bankruptcy Claim	Various
\$1,100,000	1	2006	Multifamily	Knoxville, TN
\$10,400,000	1	2006	Multifamily	Atlanta, GA
\$30,200,000	10	2006	Skilled Nursing	MO, NC & MD
\$4,800,000	1	2006	Multifamily	Dallas, TX
\$5,800,000	1	2006	Multifamily	Tallahassee, FL
\$30,000,000	3	2006	Multifamily	LA & MS
\$4,400,000	1	2006	Office	Dayton, OH
\$10,750,000	3	2007	Hospitality	Southampton, NY
\$1,427,951	2	2007	Bankruptcy Claim	Various
\$11,300,000	2	2007	Office/Hotel	OH & TX
\$18,800,000	4	2007	Retail	California
\$12,700,000	4	2007	Office, Retail, Hotel	Various
\$4,010,000	1	2007	Student Housing	Tallahassee, FL
\$10,005,000	1	2007	Office	Troy, MI
\$17,100,000	5	2007	Multifamily/Retail	Various
\$6,200,000	1	2007	Office/Flex	Pontiac, MI
\$6,300,000	2	2007	Multifamily	Various
\$2,200,000	1	2007	Multifamily	Hickory, NC
\$12,200,000	1	2007	Office	Pittsburgh, PA
\$9,070,000	1	2008	Medical Office	Houston, TX
\$10,600,000	2	2008	Multifamily	Houston, TX
\$202,000,000	21	2008	Multifamily	Texas
\$18,600,000	1	2008	Condominium	Delray Beach, FL
\$19,730,000	2	2008	Multifamily	Indianapolis, IN
<b>\$1,283,505,524</b>	<b>261</b>			

DISPOSITION TYPE	2005 LOSS SEVERITY BY DISPOSITION TYPE				2006 LOSS SEVERITY BY DISPOSITION TYPE				2007 LOSS SEVERITY BY DISPOSITION TYPE			
	LOSS SEVERITY (%)	RESOLUTION TIME (MONTHS)	LOAN COUNT	ORIGINAL SECURITIZED BALANCE (\$ MIL.)	LOSS SEVERITY (%)	RESOLUTION TIME (MONTHS)	LOAN COUNT	ORIGINAL SECURITIZED BALANCE (\$ MIL.)	LOSS SEVERITY (%)	RESOLUTION TIME (MONTHS)	LOAN COUNT	ORIGINAL SECURITIZED BALANCE (\$ MIL.)
REO LIQUIDATION	40.2	24	162	1370.1	35.1	30	107	746.8	50.9	28	91	534.3
SOLD AT FORECLOSURE	25.9	14	10	379	25.9	16	7	37.3	57.9	24	3	6.2
NOTE SALE	22.6	10	67	467.9	22.0	19	20	133.1	30.6	14	24	117.3
DISCOUNTED PAYOFF	19.3	15	61	348.5	30.3	27	55	403.0	20.7	11	31	169.2
LOAN PAID IN FULL	11	15	50	273.6	2.6	42	6	25.0	2.3	18	2	7.4
TRUST WRITEOFF	95.1	54	1	1.8	-	-	-	-	-	-	-	-
	<b>29.5</b>	<b>19</b>	<b>351</b>	<b>2,499.8</b>	<b>31.8</b>	<b>28</b>	<b>195</b>	<b>1,345.1</b>	<b>41.5</b>	<b>22</b>	<b>151</b>	<b>834.4</b>

Source: FitchRatings

