



## CTL Financing Summary

### Credit Tenant Lease Financing for BBB Investment Grade Rated Credit

#### Permanent Loan for Existing CTL Properties

For Credit Tenant Lease (CTL) transactions with an Investment Grade rating of BBB (or higher) the permanent lender issues their loan commitment and funds the full loan amount using their standard CTL underwriting requirements on the following basis:

- Maximum LTVs using this formula are in the high 90's; lower ITVs are available as well.
- For NNN leases the maximum Loan Amount is determined by:  $\text{NOI/DCR (1.01)/Constant}$ .
- For NN leases the maximum Loan Amount is determined by:  $\text{NOI/DCR (1.05)/Constant}$ .
- Annual Constant is determined by the current market rate and loan amortization.
- Loan Term is usually the term of the CTL.
- Loan Amortization is usually the term of the CTL so that it is self liquidating.
- Loan amortization hangout available (on a limited basis) using Residual Value Insurance (RVI).
- No Balloon payments or Rate adjustments.
- Non-Recourse debt.
- No Permanent lender Loan Fee. Funding at Par.
- CMA Loan Fee is typically 1%.

#### Construction Loan and Permanent Loan for Proposed CTL Properties

For proposed CTL properties, all the above criteria applies to the permanent lender's standard CTL underwriting requirements, but the permanent loan is funded upfront on the following basis:

- Permanent Lender issues their Commitment letter at the current market interest rate/ which is the long term fixed rate for the loan period, no balloon or rate adjustments.
- A Tri-Party agreement is sometimes required between the Permanent lender, the Bank and the Developer.
- Borrower provides a Letter of Credit to the permanent lender for the loan amount from an acceptable bank using the permanent lenders funds as collateral.
- Permanent Lender funds the entire loan amount into the developer's bank account, **thereby collateralizing the bank's LOC**; and the bank pays interest on those funds.
- The bank disburses the permanent lender's funds on a monthly basis and charges a reasonable servicing fee.
- Upon completion and issuance of the CO, tenant acceptance of the premises and rent commencement, the IOC is cancelled and amortization of the permanent loan begins.