



Commercial Mortgage Advisors

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Credit Tenant Lease (CTL) Summary

CTL Financing for BBB- Investment Grade Rated Tenants

For 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 criteria on the following basis:

Existing CTL Properties:

Permanent Loan:

- Maximum LTV using this formula is in the high 90's; a lower LTV is available as well.
- For NNN leases the maximum loan amount is determined by: NOI/DCR/1.01/Constant.
- For NN leases the maximum loan amount is determined by: 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.
- No balloon payments or Rate adjustments.
- Non-Recourse, except for standard carve-outs.
- No Permanent Lender Loan Fee. Funding is at Par.
- CMA Loan Fee is typically 1%, subject to transaction size, portfolio lending, etc.

Proposed CTL Properties:

Construction Funds are provided by the Permanent Lender:

For proposed CTL properties, all the above criteria applies to the permanent lender's standard CTL underwriting criteria, but the permanent loan (to avoid rate risk) is funded into the developer's bank account 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 permanent loan, without a balloon or rate adjustment.
- 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 approved bank using the permanent lender's funds as collateral.
- Permanent Lender funds the full loan amount into the developer's bank account, thereby collateralizing the bank's LOC. The bank pays interest to the developer on those funds.
- The bank disburses the permanent lender's funds on a monthly basis and charges a market servicing fee.
- Upon completion and issuance of the CO, tenant acceptance of the premises and rent commencement, the LOC is cancelled and amortization of the permanent loan begins.

A more comprehensive summary is available upon request