



MBA's **COMMERCIAL REAL ESTATE FINANCE/  
MULTIFAMILY HOUSING** Convention & Expo  
FEBRUARY 1-4, 2010, LAS VEGAS

**Meeting the Needs of Borrowers,  
Lenders, Servicers through  
Negotiation**

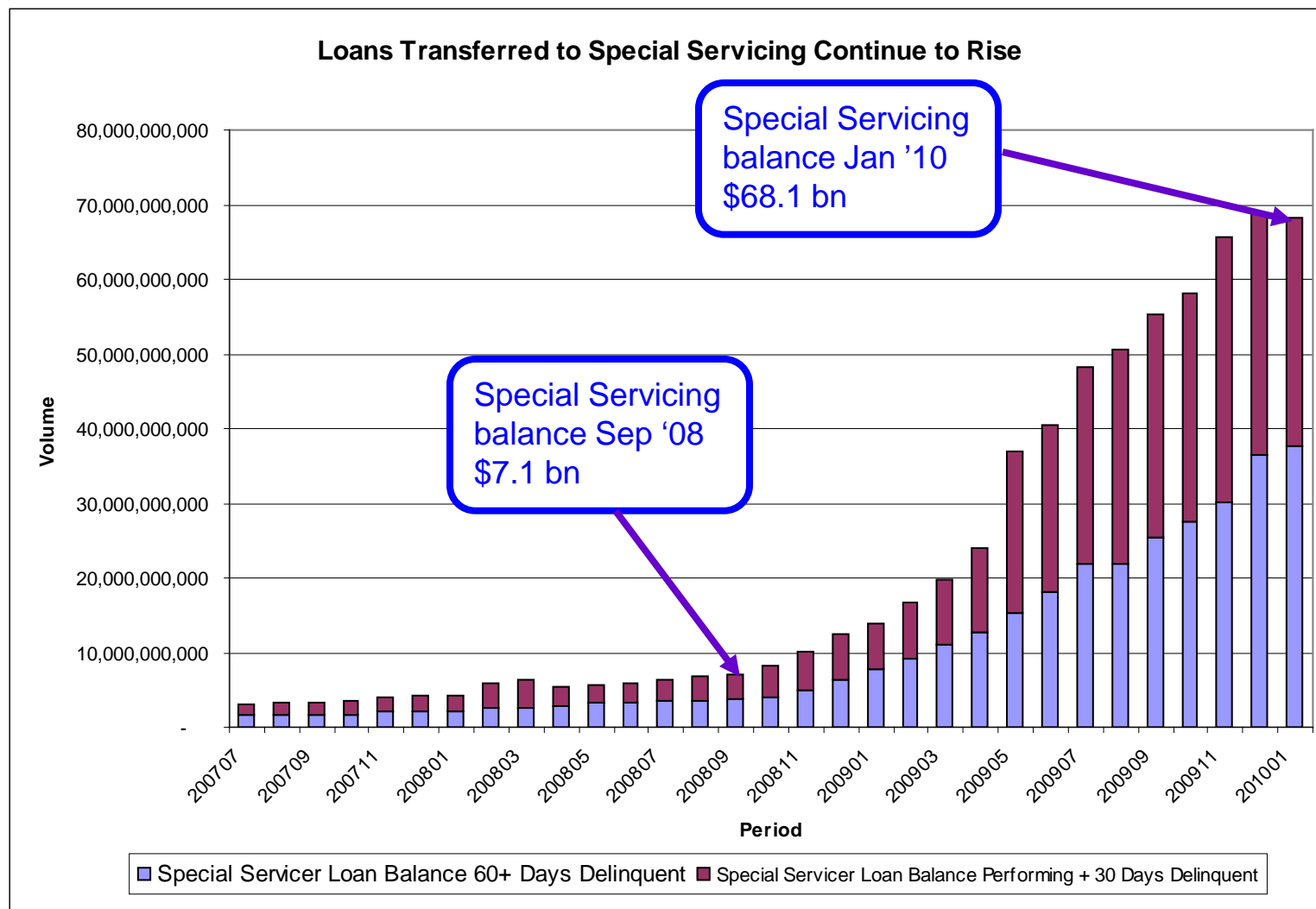
**February 3, 2010**

- |                      |                                   |
|----------------------|-----------------------------------|
| <b>Stacey Berger</b> | Midland Loan Services             |
| <b>Dan Phelan</b>    | Pacific Southwest Realty Services |
| <b>Gary Otten</b>    | MetLife                           |
| <b>Curt Spaugh</b>   | Helios AMC                        |
| <b>Brian Olasov</b>  | McKenna Long & Aldridge           |

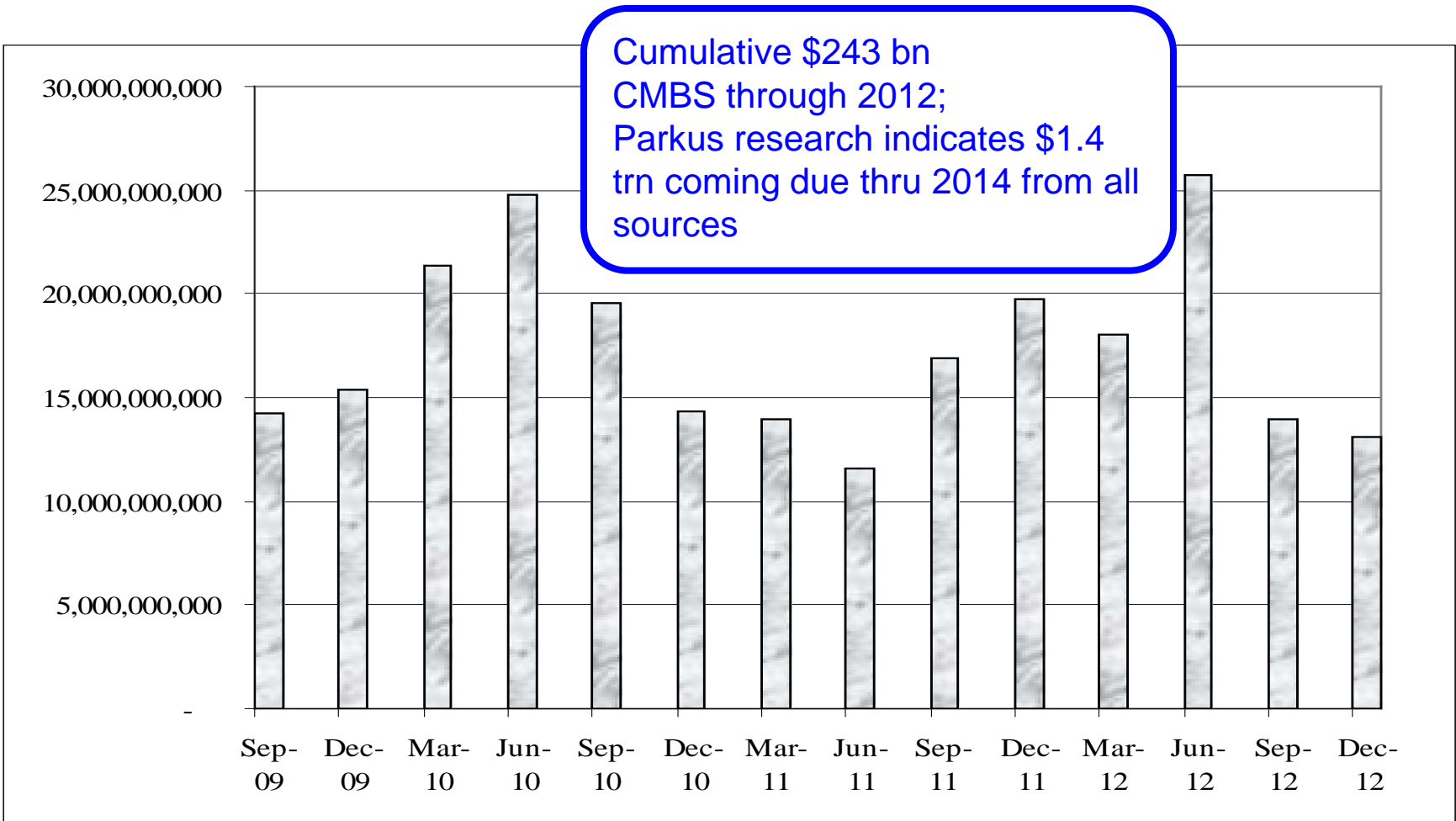
# **“The Consumer is Still Toast, Housing is Down, and Everyone is Delinquent on Everything”**

-Clusterstock story title Jan. 5, 2010

# Why Do Curt and Stacey Look So Tired?



# Ballooning Mortgages in CMBS



Source: Trepp, LLC



### **The special servicer evaluates alternative resolution strategies based on maximizing net recovery on a present value basis**

- The master and special servicer act in accordance with the servicing standard set forth in the CMBS transaction pooling and servicing agreement
- Analysis includes all income and sales proceeds, less all costs and expenses associated with resolution and disposition, discounted back to present value
- With current market conditions, property values and lack of financing, cash sales proceeds are deeply discounted
- Forbearance or extension with continued debt service payment and full payoff will typically yield higher net present value than foreclosure
- Property sale and discounted payoff may be viable alternatives



- Develop a plan to effectively manage the asset and payoff the loan
- Keep the loan current, or make partial payments
- Cooperate with the special servicer
- Be honest and forthright in communications
- Keep lawyers under control
- Financial considerations
  - » Principal paydown
  - » Reserves for debt service, escrows, tenant improvements, leasing commissions
- Pay reasonable fees to special servicer for asset management and modification