

Quick Rates

Treasuries

TERM	LAST	CHANGE
2 year	0.158%	0.01
5 year	0.810%	0.02
7 year	1.243%	0.02
10 year	1.559%	0.01

Swaps

TERM	LAST	CHANGE
2 year	0.215%	0.00
5 year	0.802%	0.00
7 year	1.129%	0.00
10 year	1.412%	-0.02

Floating Indices

TERM	LAST	CHANGE
1M LIBOR	0.106%	0.00
Fed Funds	0.250%	0.00
SOFR	0.010%	0.00
Prime	3.250%	0.00

Penalty = (Ave. remaining loan balance x years remaining x 0.01%) x (current rate – replacement rate)

1. Freddie Fixed Rate
 - a. \$13,500,000 original balance
 - b. 30 year amortization
 - c. Closing date 4/1/14
 - d. 10 year maturity
 - e. Originally 10T + 2.00%
 - f. Fixed rate 4.75%

What is the current penalty?

2. BB&T Swap
 - a. \$43mm loan
 - b. Interest only
 - c. 50% swapped
 - d. Closing date 10/1/18
 - e. 7 year maturity
 - f. LIBOR + 2.25%
 - g. Locked at 5.50%

What is the current penalty?

3. Internal Fixed Yield Maintenance
 - a. \$27.1mm loan
 - b. 10 year term, fully amortizing
 - c. Closing date 3/1/16
 - d. 10T + 2.00% pricing at close
 - e. Fixed rate of 4.00%
 - f. Exit fee of 0.50%

What is the current penalty?

4. CMBS

- a. \$119mm loan
- b. 10 year term, 30 year amortization
- c. Closing date 3/1/20
- d. Swaps + 1.85% pricing at close
- e. Fixed rate 3.20%

What is the current penalty?

5. Wells Fargo Swap

- a. \$25mm loan
- b. 10 year term
- c. Interest only
- d. Closed 10/1/20
- e. L + 2.00%
- f. Floor of 0.25%
- g. Fixed rate 2.75%

What is the current penalty?

6. Yield Maintenance

- a. \$71mm loan
- b. Interest only
- c. 10 year term
- d. Closed 10/1/11
- e. 10T + 3.50% pricing at close
- f. 6.75% fixed rate

What is the current penalty?

ANSWERS ON NEXT PAGE

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Floating Indices

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Penalty = (Ave. remaining loan balance x years remaining x 0.01%) x (current rate - replacement rate)

1. Freddie Fixed Rate

- \$13,500,000 original balance
- 30 year amortization
- Closing date 4/1/14
- 10 year maturity
- Originally 10T + 2.00%
- Fixed rate 4.75%

What is the current penalty?

Ave loan balance = \$13.5mm (can ignore amort.)
 Years remaining = 3
 Replacement Rate = ~25bps (3yr T)

$$(\underbrace{\$13.5\text{mm} \times 3 \times 0.019\%}_{\text{DVO1 } \$4,060}) \times (\underbrace{475 - 25}_{\text{Rate Differential } 450\text{bps}})$$

$$\text{Penalty} = \$1.822\text{mm}$$

2. BB&T Swap

- \$43mm loan
- Interest only
- 50% swapped
- Closing date 10/1/18
- 7 year maturity
- LIBOR + 2.25%
- Locked at 5.50%

What is the current penalty?

Ave loan balance = \$21.5mm
 Years remaining = 4.5
 Replacement Rate = ~70bps (swap rate @ 4 1/2 yrs)

$$(\$21.5\text{mm} \times 4.5 \times 0.019\%) \times (550 - 225 - 70)$$

(\\$9,675) (255bps) subtract the spread!

$$\text{Penalty} = \$2.467\text{mm}$$

3. Internal Fixed Yield Maintenance

- \$27.1mm loan
- 10 year term, fully amortizing
- Closing date 3/1/16
- 10T + 2.00% pricing at close
- Fixed rate of 4.00%
- Exit fee of 0.50%

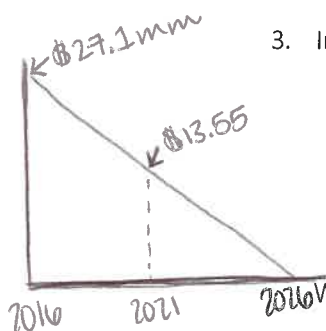
What is the current penalty?

Ave loan balance = \$6.775mm
 Years remaining = 5
 Replacement Rate = 81bps

$$(\$6.775\text{mm} \times 5 \times 0.019\%) (400 - 81)$$

$$(\$3,387.5) (319\text{bps})$$

$$\text{Penalty} = \$1.08\text{mm}$$



At \$13.55mm, average remaining balance is half, since it's fully amortizing!

4. CMBS
- \$119mm loan
 - 10 year term, 30 year amortization
 - Closing date 3/1/20
 - Swaps + 1.85% pricing at close
 - Fixed rate 3.20%

What is the current penalty?

$$\begin{aligned}
 \text{Ave loan balance} &= \$119 \text{ mm} \\
 \text{Years Remaining} &= 9 \\
 \text{Replacement Rate} &= \sim 145 \text{ bps (9T)} \\
 &(\$119 \text{ mm} \times 9 \times 0.019\%) (320 - 145) \\
 &(\$107,100) (175 \text{ bps}) \\
 \text{Penalty} &= \$18.74 \text{ mm}
 \end{aligned}$$

5. Wells Fargo Swap
- \$25mm loan
 - 10 year term
 - Interest only
 - Closed 10/1/20
 - L + 2.00%
 - Floor of 0.25%
 - Fixed rate 2.75%

What is the current penalty?

$$\begin{aligned}
 \text{Ave loan balance} &= \$25 \text{ mm} \\
 \text{Years Remaining} &= 9.5 \\
 \text{Replacement Rate} &= \sim 150 \text{ bps (9yr swaps)} \\
 &(\$25 \text{ mm} \times 9.5 \times 0.019\%) (275 - 200 - 150) \\
 &(\$23,750) (-75 \text{ bps}) \quad \text{subtract the spread!}
 \end{aligned}$$

No penalty! Swap is in the money by \$1.78mm

6. Yield Maintenance
- \$71mm loan
 - Interest only
 - 10 year term
 - Closed 10/1/11
 - 10T + 3.50% pricing at close
 - 6.75% fixed rate

What is the current penalty?

$$\begin{aligned}
 \text{Ave loan balance} &= \$71 \text{ mm} \\
 \text{Years Remaining} &= 0.5 \\
 \text{Replacement Rate} &= 10 \text{ bps} \rightarrow \text{can't really get below min. LIBOR (you'll plateau at a certain \# here)} \\
 &(\$71 \text{ mm} \times 0.5 \times 0.019\%) \\
 &\quad \times (675 - 10 \text{ bps}) \\
 &(\$3,550) (665 \text{ bps}) \\
 \text{Penalty} &= \$2.36 \text{ mm}
 \end{aligned}$$