



CMBS Overview and Benefits

CMBS CONDUIT LOAN BENEFITS

The two most compelling benefits of CMBS conduit loans?

1. All CMBS conduit loans are **non-recourse** (no personal guarantees), and
2. CMBS conduit loans allow for **unrestricted cash-out** on refinances in which the new CMBS conduit loan amount is greater than the loan balance being paid off.

For example, if a shopping center worth \$10 million is refinanced with a 75% loan-to-value CMBS conduit loan (\$7.5 million) and the existing loan balance is \$5 million, the \$2.5 million of excess loan proceeds are provided to the borrower without restriction on what the excess funds can be used for. Many commercial lenders do not allow for unrestricted cash out.

In regard to non-recourse, most commercial lenders require that a commercial loan be 100% guaranteed personally by all of the individual owners of the property. In the event of a default and foreclosure, if the lender does not recover the full loan balance through a sale of the property or the loan, each individual is personally responsible to repay the shortfall, and the lender can easily get a judgment to compel the individuals to pay. With a CMBS conduit loan, the individuals do not have any personal liability to repay the loan in the event of default and foreclosure.

All CMBS conduit loans are **fixed-rate** and have a **5-, 7- or 10-year loan term**. CMBS conduit loans amortize on **long 25- or 30-year schedules** and can have **interest-only payments** during the first few years of the loan term. CMBS conduit loans **close fast** — in as little as 30 days — and all CMBS conduit loans are assumable.

CMBS conduit loans can be approved and closed with borrowers who have **credit blemishes** such as prior loan defaults and property bankruptcies as long as the individual who owns the property being financed through a CMBS conduit loan did not act in “bad faith.” In addition, individuals with **poor personal credit scores** can qualify for CMBS conduit loans because the underwriting and approval for a CMBS conduit loan is based primarily on the income from the property being financed, not the credit of the individual owner.

The following types of leased income-producing real estate are eligible for CMBS conduit loans:

- **Multifamily**
- **Manufactured Housing Communities**
- **Retail**
- **Office**
- **Industrial**
- **Hotels**
- **Self-Storage**

Within these categories, the following sub-categories are also eligible:

Eligible Multifamily: Student Housing, Age-Restricted (Seniors) Multifamily, Furnished Multifamily, Multifamily with Section 8 voucher tenants, Multifamily with HAP contracts, and Multifamily with IRS Section 42 tax credits.

Eligible Manufactured Housing Communities (MHCs; also known as Mobile Home Parks): MHCs with up to 20%-25% landlord-owned homes and MHCs with single-wide homes.

Eligible Retail: Malls, Anchored Multi-tenant Retail, Neighborhood Multi-tenant Retail, Unanchored Multi-tenant Retail, Single Tenant Retail (with long-term lease — 5-plus years — to a credit tenant and high likelihood of lease renewal).

Eligible Office: Multi-tenant Suburban Office, Multi-tenant Urban Office, Single Tenant Office (with long-term lease — 5-plus years — to a credit tenant and high likelihood of lease renewal), Government Office with no lease cancellation clauses.

Eligible Industrial: Multi-tenant Warehouse/Distribution, Multi-tenant Light Industrial, Single-tenant Industrial (with long-term — 5-plus years — to a credit tenant and high likelihood of lease renewal), Multi-tenant office/warehouse (office in front/warehouse in rear).

Eligible Self-Storage: Independent and Franchised self-storage, climate controlled and non-climate controlled.

Eligible Hotels: Full-service, Select-service, Limited-service and Extended-stay hotels that are mid-scale and higher franchised hotels as defined by Smith Travel Research ([click here to pre-qualify a hotel for a CMBS conduit loan](#)). Independent hotels located on/near beaches and Boutique hotels in urban/suburban locations with ADR over \$100/night.