



Interest Rate Cap Options for Floating-Rate Cash Loans

	Cap Termination Date(s)		Uncapped
Term of Initial Cap*	3 years (minimum)	Borrower may select a term length of 3 years up to the full term of the loan for the initial cap	No caps, but: <ul style="list-style-type: none"> • Requires loan-to-value (LTV) ratio less than 60% • Must achieve a minimum 1.00x debt service coverage ratio (DCR) at the greater of (i) 7% interest rate or (ii) one-month LIBOR + Margin + 300 bps
Term(s) of Replacement Cap(s)*	As each cap ends, borrower may select any term for the replacement cap so long as the term of the replacement cap is not less than 1 year		
Escrow Sizing	<ul style="list-style-type: none"> • Calculated and maintained at 125% of the amount estimated by Lender to be sufficient to purchase, immediately prior to termination of the then-existing cap, a replacement cap that expires on the <i>earlier</i> of the date that is 2 years after termination of the then existing cap or the loan maturity date • 125% escrow is maintained until borrower obtains a cap with a term equal to the maturity of the loan 		None
Escrow Analysis Frequency	Semi-annual		None

* All caps must have terms in annual increments.

Example: Initial 3-year cap with replacement caps for a 7-year cash loan

At origination: The borrower purchases 3-year cap and escrows 125% the cost of a cap with a term of 2 years.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Purchases 3-year initial cap			Escrows 125% of estimated cost of 2-year cap			

Start of Year 4: At the end of the initial 3-year cap, the borrower purchases a 1-year cap to follow, and escrows 125% of the cost of a cap for a term of 2 years.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
			1-year cap	Escrows 125% of estimated cost of 2-year cap		

Start of Year 5: At the end of the 1-year cap, the borrower purchases a 2-year cap to follow, and escrows 125% of the cost of a cap for the remaining 1-year term of the loan.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
				2-year cap		Escrows 125% of estimated cost of 1-year cap

Start of Year 7: At the end of the 2-year cap, the borrower purchases a 1-year cap to follow. No escrow is necessary as this cap provides coverage until the maturity of the loan.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
						1-year cap
						No escrows