

The interest rate cap execution checklist

Step 1

4-6 weeks prior to loan closing

(but often done on shorter notice)

Step 2

1 week prior to loan closing

(but often done on shorter notice)

Step 3

Loan closing

In addition to these steps, Chatham can review interest rate cap/hedging provisions in the term sheet before the term sheet is signed — don't hesitate to involve us early in the financing process.

Step 1: Gathering documentation — provide 4-6 weeks prior to loan closing

Advisor — Chatham Financial:

- Assist with hedging strategy (managing risk vs. cost)
- Provide feedback on interest rate protection sections of loan documents regarding market standard language; common concerns are LIBOR replacement language, cap counterparty ratings requirements, loan floors, and rounding conventions
- Provide indicative pricing and assist the borrower in coordinating KYC requirements
- Review pre-trade regulatory items and review regulatory clearing and reporting obligations
- Draft bid package outlining economic and legal terms of the cap
- Assist with Legal Entity Identifier (LEI) registration *(where applicable)*

Borrower:

- Borrower's primary contact info
 - Legal name including full middle name and date of birth
 - Address
 - Email
 - Phone
- Certified structure chart
 - Detailing all direct and indirect ownership interest of 25%+
 - Full legal name and date of birth of individuals with direct/indirect ownership/control of 25%+ alongside certified passports of these individuals
- Incorporation documents
 - Proof of incorporation, memorandum, and articles of association
- Register of current directors and certified passport and proof of address
- Term sheet and/or draft loan agreement
- Confirmation no business is conducted in sanctioned countries (including but not limited to: Cuba, Iran, North Korea, Sudan, Syria, Russia)

Lender:

- Draft collateral assignment *(if applicable)*

Certification needs to be within the last three months, stating that the document is a true copy of the original. Please include name, qualification, registration (if applicable), signature, and date of certification by: A registrar or deputy registrar of a court, Judge of a court, Justice of the peace, Magistrate, notary public, police officer, or certified accountant.

Step 2: Execute regulatory documentation and review bid package — 1 week prior to loan closing

Advisor — Chatham Financial:

- Facilitate cap counterparty onboarding and regulatory requirements
- Provide updated cap indications
- Coordinate lender approval of the bid package

Borrower/borrower counsel:

- Review and return executed regulatory documentation

Lender/lender counsel:

- Review and confirm that the draft bid package matches the economics and requirements of the underlying loan

Step 3: Cap purchase — morning of closing (up to 2 days prior to closing)

Advisor — Chatham Financial:

- Circulate the approved bid package to the hedge counter party
- Organise and run live trade execution call

Step 4: Post trade documentation

Advisor — Chatham Financial:

- Provide transaction summary, wiring instructions, and invoice for cap purchase (same day as cap purchase)
- Coordinate collateral assignment execution with cap provider (if applicable)
- Review trade confirmation for accuracy and circulate for borrower's signature (within 3 days of cap purchase)
- Circulate cap provider legal opinions (within 2-3 weeks of cap purchase)

Lender/lender counsel:

- Provide final collateral assignment (if applicable)
- Confirm trade confirmation is acceptable

Borrower:

- Execute trade confirmation

Ready to execute on your interest rate cap? Chatham can help.

An independent and experienced firm, Chatham is in the markets every day, providing the best consulting and technology solutions to support real estate firms as they navigate volatility. We execute more than 4,000 caps annually and transact \$2.9 billion notional daily. Access advantage with Chatham Financial.

Email chathamrates@chathamfinancial.com or call +44 20 7493 3310 to get started.

Transactions in over-the-counter derivatives (or "swaps") have significant risks, including, but not limited to, substantial risk of loss. You should refrain from entering into any swap transaction unless you have fully understood the terms and risks of the transaction, including the extent of your potential risk of loss. For further information about chatham hedging advisors, llc, and to view its disclosure document, please visit chathamfinancial.com/legal/notices/. 20-0331