

The interest rate cap execution checklist

Step 1

2 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 2 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 review provided Know Your Customer (KYC) documentation
- Draft pre-trade regulatory items
- Draft bid package outlining economic and legal terms of the cap
- Assist with Legal Entity Identifier (LEI) registration

Borrower:

- Borrower's primary contact info
 - Legal name including full middle name and date of birth
 - Address
 - Email
 - Phone
- Organization chart
 - Detailing all direct and indirect ownership interest of 25%+
 - Full legal name and date of birth of individuals with direct/indirect ownership of 25%+
- Formation document with state seal
- 2018 W9 tax form
- Term sheet and/or draft loan agreement and promissory note
- Signature block (if applicable)
- Legal Entity Identifier (LEI) — completed through Bloomberg LEI
- Confirmation no business is conducted in OFAC sanctioned countries (Cuba, Iran, North Korea, Sudan, Syria, Russia)

Lender:

- Draft collateral assignment *(if applicable)*
- Lender lockbox account details *(if applicable)*

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:

- Will circulate an email outlining the cap structure, updated indicative cost, and a request for borrower’s authorization to proceed with the cap purchase
- Will go out to the market and purchase the most competitively priced cap

Borrower:

- Provide authorization via email to proceed with the cap purchase

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 (within 2 days of cap purchase)
- 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.

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