



## Interest Rate Cap Options for Floating-Rate Cash Loans

	Cap Termination Date(s)		Uncapped
<b>Term of Initial Cap*</b>	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"> <li>• Requires loan-to-value (LTV) ratio less than 60%</li> <li>• Must achieve a minimum 1.00x debt service coverage ratio (DCR) at the greater of (i) 7% interest rate or (ii) one-month SOFR + Margin + 300 bps</li> </ul>
<b>Term(s) of Replacement Cap(s)*</b>	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		
<b>Escrow Sizing</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 125% escrow is maintained until borrower obtains a cap with a term equal to the maturity of the loan</li> </ul>		None
<b>Escrow Analysis Frequency</b>	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