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Not Every Loan Deal Needs Speed

By [Kelsi Maree Borland](#) | Los Angeles



LOS ANGELES—The owners of **National City Bank Tower** in Downtown Los Angeles have secured a \$34 million long-term debt refinance loan. Looking to get the best rate, the borrower tapped **Quantum Capital Partners** managing directors **Jonathan Hakakha** and **Mike Yim** six months ago. As a result, the 15-year loan has a 3.5% interest rate, which was locked in five months ago.

"The \$34M loan was used to retire an existing CMBS loan. When we were engaged for this assignment in late 2014, the sponsor was fearful of rising interest rates during the first half of 2015 but faced a significant defeasance premium on the loan if it was paid off prior to 2Q 2015," Yim tells [GlobeSt.com](#). "We identified a life company

lender willing to offer a 15 year fixed rate financing and the ability to execute a forward rate lock for 5 months. We customized the financing so the borrower could benefit from the low rates in early 2015 while eliminating interest rate risk between rate lock and the open window for prepayment. Additionally, we rate locked at a very opportune time when the T-Bills dipped and the 15 year fixed rate loan was set at 3.50%."

Typically, brokers are required to close loans quickly to meet term deadlines; however, in this situation, the borrower could not close the loan for six months due to a prepayment penalty. As a result, Hakakha and Yim used a forward rate lock program to secure the lowest rate possible and avoid a significant prepayment penalty on the borrower's original loan. The team secured the rate at a perfect time, avoiding an 18-basis point rise in the 15-year treasury bill. The lender is **John Hancock Life Insurance Co.**

The extended timeframe wasn't the only challenge of the transaction. The National City Bank Tower, which is located at 606 Olive Street overlooking Pershing Square in Downtown Los Angeles, is heavily occupied by a government agency tenant. Lenders typically avoid properties with large government occupancies; however, the Quantum Capital team was able to find a lender willing to meet the borrower's needs.

"Although the property was close to full occupancy, 60 percent of the tenants were GSA and non-profit organizations," says Yim. "These tenants typically have termination rights that many lenders are uncomfortable with. We conducted thorough market research to demonstrate the strength of the location and the viability of the property should portions of the current tenants vacate the property."