Mortgage, Insurance, and Tenants

What changes, what does not, and what to confirm against your own documents.

Your mortgage

- Terms, balance, maturity, and lender are unchanged. The assessment is not a second mortgage and creates no new mortgage holder.
- The senior lender consents in writing before closing. The consent acknowledges the senior priority of the annual installment — not of the whole financed balance.
- The principal balance of your mortgage is not subordinated. Only the annual installment carries priority.
- Your loan documents may contain covenants on additional encumbrances. Your attorney should read the consent against those covenants rather than assume they align.

Your insurance

- New and properly commissioned building systems generally present better to a carrier than aging equipment, though the effect on premium is a question for your broker.
- The Financing Agreement will carry insurance requirements — coverage types, minimum limits, and additional insured or loss payee provisions.
- Specific coverage and endorsement requirements for MCED transactions: ***[MGB to supply from the program documents]***

Your tenants

- The assessment appears on the property tax bill and is an operating cost of the building, like property taxes.
- In most commercial lease structures, operating costs are recovered from tenants through CAM or expense pass-through — meaning in most buildings the tenants, not the owner's net income, carry the assessment.
- Pass-through is never automatic. It depends on the language in your specific leases, and it is a question for counsel before you assume recovery.
- Tenants generally benefit: reliable systems, lower utility costs where they are separately metered, and fewer complaints. Improvements financed this way are among the few capital projects tenants and owners both want.

THE LEASE QUESTION, STATED PLAINLY

> Whether the assessment is recoverable through CAM is a lease-language question and a counsel question. Confirm it against your actual leases before you build it into your model — not after.

Three things to hand to counsel

The senior loan covenants on additional encumbrances

The insurance requirements in the Financing Agreement

The operating expense recovery language in each material lease

Questions on your own transaction: (866) 554-4083 | communications@missourigreenbanc.org

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Markets set in motion. It all starts with collaboration.