



## Commercial Defeasance Launches Hedging Unit Friday, May 16, 2008

Commercial Defeasance, an eight-year-old consulting company that specializes in helping borrowers wade through the complex defeasance process, has launched a unit to help clients hedge their interest-rate risks.

The unit, Custom Hedging Solutions, is led by Jennifer Imler, managing director who joined from Wachovia Securities, where for more than seven years she traded and marketed derivative products. She also was responsible for hedging the interest-rate risks of Wachovia's CMBS conduit inventory and for structuring derivatives into CMBS deals.

Commercial Defeasance, which is based in Charlotte, N.C., was launched in 2000 by Rob Finlay, a former mortgage lender who had been with Deutsche Bank and Credit Suisse. He developed the concept for his company after getting queried by borrower clients about defeasing their loans, an onerous process involving the coordination of and negotiations with a myriad service providers as well as the acquisition of government securities with payment terms similar to the mortgage being replaced.

In a nutshell, defeasance is the repayment of a mortgage by substituting government securities for the property collateral. The practice flourished through last year, when a record \$31.1 billion of securitized mortgages were defeased, according to analysis by Credit Suisse. That volume was fueled by a drop in interest rates and an escalation in collateral property values. As the latter has reversed, the thinking is that the practice of defeasance will drop.

*Comments?*

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