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## Prepayment Premiums and Make-Whole Payments (Part 2)

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Last month, we discussed “prepayment premiums” or “make-whole payments.” The purpose of such prepayment premiums is to compensate lenders for what would otherwise be the loss of their bargained-for yields for the scheduled lives of their loans. Prepayment premiums are usually either based on a fixed fee, such as a percentage of the principal balance at the time of prepayment, or a yield maintenance formula that approximates the lenders’ damages in the event of prepayment.

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### Attorney

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