

Prepayment Premiums and Make-Whole Payments (Part 2)

Date: 12/04/13

Source: *The Bankruptcy Strategist*. Vol. 31, Number 2, November 2013

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.

Attorney

- Joel H. Levitin