



2025

LIQUIDITY OPTIONS





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Our Company

MorFund Financial Inc. commenced operations in September, 1997 as a commercial mortgage originator (broker) and has expanded to include the sale of whole loans, pools of whole loans, portfolios of whole loans and pools of "A"/"B" split whole loans.

In the latter case of sales of pools of "A"/"B" split first mortgages, the cross collateralization across the content of the pools gives investor significant confidence to invest without the need for timely payment guarantees from the vendor.

Typically, a purchaser will purchase 50% or more of the pools as "A" pieces and will obtain a net yield equal to a spread over the Government of Canada bonds for a comparable term. The vendor services the pool contents so that the borrower relationship is retained by the originator and, for the remaining "B" pieces, the originator has their yield enhanced by virtue of the "A" piece being purchased with a yield below the face rate. The residual "A" revenue is attributable to the "B" pieces and, sometimes the yield lift received can be very significant.

Our Liquidity Services

WHOLE LOAN SALES

Whole loan sales are straight forward with the investor choosing a spread above the comparable term Canada Bonds or over a selected cost of funds rate. In the current market (February 2025) with declining bond rates, vendors of last year's originations should experience a premium price at sale. Those with originations closer than two years ago could have substantial premiums available. Even vendors of office loans will find a market depending on the LTV at origination compared to the present market appraised value. In most cases, the originator/vendor retains the customer relationship, earns a servicing fee and makes a profit on selling at a premium.



"A"/"B" SPLIT LOAN POOL SALES

SUMMARY

Mortgage or Pool Amount	\$40,000,000.00
Current Pool WAYTM	6.75%
Term in years.....	5
Amort at origination in yrs	25
Debt Service/month.....	\$274,019.86
Debt Service/annual.....	\$3,288,238.32
LTV at origination	70%
Security value at origination	\$57,142,857.14
Date of origination	2025-03-01
Percent of pool to "A"	50%
Amount to "A"	\$20,000,000.00
LTV Exposure for "A"	35.00%
Spread to "A"	3.250%
"A" bond rate	2.700%
Yield to "A".....	5.95%
"A" debt service/month.....	\$127,367.51
annual debt service	\$1,528,410.12
Post "A" net cash flow	\$146,652.35
Available for "B" cash flow.....	\$1,759,828.20
"B" Amount	\$20,000,000.00
Yield to "B".....	8.80%



CHECK LIST TO PROCEED

- ✓ Selling whole loans or pools involves putting in place a relationship where, over time, less and less due diligence will be required as the relationship grows and transactions can happen more rapidly using reps and warranties.

Items required:

- ✓ 3 years of annual reports (at least Notice to Reader level)
- ✓ 3 years of arrears/collections stats
- ✓ Corporate profile (who owns, history, etc)
- ✓ Pool details
- ✓ Copy of typical servicing agreement
- ✓ Copy of typical sale agreement
- ✓ Copy of lending/underwriting policies & procedures
- ✓ Copy of collections policy
- ✓ Copy of AML, KYC policies and other OSFI/FINTRAC material
- ✓ NOTE: once a relationship is in place, you have no obligation to accept any transaction offered

If pools of loans to be sold are residential loans with CMHC or other insurance then, for the first sale, copies of the original loan application, confirmation of insurance and the original underwriting material would be required for each loan. Thereafter, for most transactions there would only be spot checks of files and repetition of the original reps and warranties for each new pool sale.



To determine if this works for you, please reach out to us at 604-618-3456.





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