Annotation guide imp points to follow (from FiNER, trillion\_$\_words, CUAD):-

1. Create rules and guidelines for each entity/label.
2. Mention the various forms it can take (grammatically), and make rules to handle them.
3. Assign the labels based on their categories and give examples to illustrate it.
4. Describe the formats in which the labels will occur.
5. Handle redacted/missing information uniformly across the documents and mention them clearly.

**Annotation Guideline**

Archishman VB

## **Deal Type: [Deal Type, Deal Sub-Type]**

Deal types:-

1. revolver: revolver - 364 days, revolver.
2. term loan - term loan A, term loan B, term loan C, term loan D etc.,
3. Line of credits.
4. **Term Loan**

A term loan provides borrowers with a lump sum of cash upfront in exchange for specific borrowing terms. Term loans are normally meant for established small businesses with sound financial statements. In exchange for a specified amount of cash, the borrower agrees to a certain repayment schedule with a fixed or floating interest rate. Term loans may require substantial down payments to reduce the payment amounts and the total cost of the loan.

Types of term loans:-

1. Short-term loans - <(12-18) months
2. Intermediate-term loans - (1-3) yrs
3. Long-term loans - (3-25) yrs

Term loans carry a fixed or variable interest rate, a monthly or quarterly repayment schedule, and a set maturity date. If the loan is used to finance an asset purchase, the useful life of that asset can impact the repayment schedule. The loan requires collateral and a rigorous approval process to reduce the risk of default or failure to make payments.

<https://www.investopedia.com/terms/t/termloan.asp>

**2. Revolver**

A revolver refers to a borrower—either an individual or a company—who carries a balance from month to month via a revolving credit line. Borrowers are only obligated to make minimum monthly payments, which go toward paying interest and reducing principal debt. Revolvers are used by corporations to fund working capital needs, which are expenses for day-to-day operations, such as payroll. A revolving credit line typically comes with a variable interest rate set by a bank, meaning it can fluctuate with market conditions. A credit card is the most common form of revolving credit.

<https://www.investopedia.com/terms/r/revolver.asp>

**3. Line of credit**

A line of credit (LOC) is a preset borrowing limit offered by banks and financial institutions to their personal and business customers. Lines of credit can be used at any time until the limit is reached. The limit is set by the issuer based on the borrower's creditworthiness. As money is repaid, it can be borrowed again in the case of an open line of credit. The borrower can access funds from the LOC at any time as long as they do not exceed the maximum amount (or credit limit) set in the agreement.

3 types:-

1. Secured LOC
2. Unsecured LOC
3. Business LOC

Secured LOCs come with lower rates as they are backed by collateral while unsecured LOCs typically come with higher rates.

<https://www.investopedia.com/terms/l/lineofcredit.asp>

**Identification of Labels** :-

1. **Deal Types** :

There are 3 deal types mainly- revolvers, term loans and line of credit. Based on the definitions and explanation above, we need to annotate phrases/words that indicate one of those three.

1. “Term loans” -

* Some of the phrases that identify as term loans are “***Term loans***”/”***TERM LOAN***”/”***term loan”,*** i.e they all are the same.
* Another variation is “***Term loan facility***” which also is a deal type.
* “***Term loan credit agreement***” / “***Term loan agreemen***t” is a phrase that indicates the term loan deal type.

In essence, while annotating, I have annotated all the phrases that have “Term loan” as a term loan deal type.

1. “Revolver” -

* For revolvers, the phrase can be “***Revolving facility***”.
* Another term can be “***revolving***”/”***Revolve***r” which is usually used as an adjective for the type of credit.
* “***Revolving credit facility***” is also used to identify revolvers
* “***Revolving credit***” is also used.
* “***Revolving loans***”/”***Revolving loan***” is also a variation.
* “***Revolving borrowing***”/“***Revolving borrowings”*** is a phrase for revolvers as well.
* “***Revolving credit agreement***”
* “***Revolving line***”

In essence, while annotating, I have annotated all the phrases that have “revolv” as a root word.

1. “Line of credit” -

* “***Line of credit***” is used to indicate the Line of credit deal type
* “***Credit line***” is also used as a phrase to indicate this deal type.

2. **Deal subtypes** :-

There are numerous deal subtypes for each deal type. Thus, in order to identify them, thorough research must be done on their definition and context in the given document to understand it. The definitions of the subtypes are given with their examples.

1. Term loan subtypes :

* The subtypes of term loans can be “***SBA Loans***”, which are term loans made by an SBA lender
* “***Senior secured term loan***” is a subtype of term loan.
* “***SBLF Loans***” are term loans made by SBLF lender (similar to SBA Loans)
* “***Senior Debt***”/”***designated senior debt***” are term loans whose priority is higher than other loans.
* “***Senior secured Credit facility***” is a subtype of term loans which is a senior debt and is secured in terms of collateral.
* “***Term loan commitments***”/”***Term loan commitment***” is a subtype of term loans. It is an obligation of the lender to provide the term loan under certain conditions and collateral.
* “***Term loan notes***”/”***Term loan note***”/”***Term note***”/”***Term notes***” is a subtype of term loans as it is a deal subtype that specifies the terms and conditions of a term loan.
* “***Additional Term loans***”/”***Additional Term loan***” is a subtype of a term loan. It specifies the extra loan that is taken on top of the existing term loan.
* “***Initial Term Loans***”/”***Initial Term Loan***” is a subtype as it refers to the first/initial term loan that was agreed upon in the term loan deal.
* “***Tranche A Term loans***” is a subtype of term loans where it is a part of a much larger term loan. (Tranche means a segment/portion of a much larger financial/credit instrument) Tranche A means that the loan has low risk/interest.
* “***Tranche B Term loans***” is a subtype of term loans where it is a part of a much larger term loan. (Tranche means a segment/portion of a much larger financial/credit instrument) Tranche B means that the loan has higher risk/interest.
* “***term benchmark loan***”/”***Term benchmark borrowing***” is a term loan subtype, where it’s interest rate is tied to a benchmark interest rate (LIBOR, SOFR)
* “***Incremental term loans***” are a subtype of term loans, where the borrowers receive the funds in multiple installments.

1. Revolver subtypes :

* “***Swing line***”/”***Swing Line Loan***”/”***Swing Line Loans***”/”***Swing line borrowing***”/”***Swing loan subfacility***” is a subtype of a revolver deal type. It allows for a quick and temporary borrowing of funds which is usually for short-term debt.
* “***Revolving Note***”/”***Revolving credit note***” is a subtype of a revolver, as it mentions all the terms and conditions of borrowing of a revolver facility.
* “***Swing Line Note***” is a subtype of a revolver deal type that mentions all the terms and conditions under a swing line loan.
* “***Base rate revolving loan***”/ “***Revolving borrowing of base rate loans***” is a revolver sub-type, as this credit/loan is a revolver with the interest tied to a base/benchmark rate.
* “***Revolving credit promissory note***” is a revolver subtype, as it outlines the terms and condition of a revolving credit facility
* “***Unsecured revolving credit facility***” is a subtype of revolvers where the lender doesn’t require any collateral from the borrower. (it depends on the borrower’s creditworthiness)
* “***Revolving commitmen***t” is a subtype of revolvers, as it is defined as the lender’s promise to make funds available to the borrower under a revolving credit facility.
* “***RFR revolving loan***”/”***RFR revolving borrowing***” is a revolver subtype, where the revolving credit facility’s interest rate is tied to a RFR(risk-free-rate) like SOFR.
* “***ABR revolving loan***”/”***ABR revolving borrowing***” is also a subtype of revolvers. It is a revolver where it’s interest rate is tied to an ABR(Adjusted bank rate)

While annotating the documents, the phrase “Term benchmark revolving loan”/ “Term benchmark revolving borrowings” was stumbled upon multiple times. Upon further research, I found that it is a hybrid deal sub-type of both revolvers and term loans. It is basically a revolving credit facility with a fixed term and an interest rate that is tied to a benchmark like LIBOR or SOFR. Thus, I have annotated it as a deal subtype, but in this guide, I haven’t classified it under either of the deal types.

**Edge Cases** :-

* For “Additional Term loans” and “initial Term loans”, they might or might not appear with the word “commitment”, thus for such cases, I have decided to ignore that word, to maintain uniformity in the labeled entities.
* Certain credit agreements had “Tranche A1/A2 loans” as phrases, but I haven’t annotated them as a subtype of any deal type. It is because Tranche refers to a segment of a larger credit facility, A1 and A2 refers to different risk levels and interest levels. Since these phrases didn’t have the root word of either deal types (revolver, term loan, line of credit), I didn't consider them as a subtype, since they might be made up of a mixture of all 3 deal types, and then a tranche is formed.
* Certain deals/loans like “base rate loans”, “alternate base rate loans”, “Eurocurrency loan”, “intercompany loans”, “Commercial loans”, etc appear in all the documents of the 3 deal types. Thus these broad loan types can’t be classified as a deal type/sub-type, unless it appears like “Base rate revolving loan”, “Tranche A term loans”, etc, where the deal type is clearly mentioned.

**Questions** :-

* In several credit documents (of all deal types), I encountered the phrase, “Letter of credit”, is it a subtype of line of credit? And, are “L/C” and “letter of credit” the same thing?
* “Credit extension” is another phrase that is seen in all 3 deal types’ documents. Can this phrase be annotated as it refers to the extension of credit of the particular deal type?
* “This loan agreement” in all the deal types’ documents refers to the particular facility, can they be ignored as it is not specific?
* Why do some credit agreement documents have an unusually few/less number of labels of the given entities compared to other documents. One observation is that it isn’t dependent on the deal type or the document length. (for e.g doc #109, #115)

**New Labels** :-

* Deal agent type - This label would help in differentiating the different agent roles of each organization. E.g : Collateral agent, Administrative agent , Guarantors, lenders and borrowers.
* Supplementary deal types - certain deals/agreements act as a supplement in the credit agreements like, collateral access agreements, intercompany loans, master-bailee agreements, security agreements. Annotating these deal types will help in understanding the relationship between the agents/organizations.
* Acts/reforms - throughout the credit agreements, various acts/reforms are referred to and certain sections, subsections are stated. These mentions can be useful to understand the deal structure and nature. E.g: Debtor relief law, PATRIOT act, ERISA, FASB, FACTA, OFAC, commodities exchange act, etc.
* More labels can be created based on organizations, be it the banks, regulatory bodies, companies, law firms,etc.