February 26, 2003

Asset Administration Committee Meeting
Committee Meeting Minutes
CREF Convention
San Diego, CA
Sunday, February 2, 2003
9:00 a.m. – 10:00 a.m.

Chair

James Hebert
Principal
CapMark Services, LP

Vice Chairs

Shelley Hasskamp
Senior Vice President & Manager of Loan Closing and Administration
Dwyer-Curlett & Co.

Janine C. Stallings
Assistant Vice President
Real Estate Division – Commercial Loan Servicing
Pacific Life Insurance Company

Robert P. Vestewig
Chief Operating Officer
GEMSA Loan Services, L.P.

I. Welcome and Introductions

a. Katie Schwarting will be joining the MBA as the staff representative to the Asset Administration Committee, effective February 18, 2003 . Katie can be reached at (202) 557-2742 or katie_schwarting@mbaa.org

II. Regional Servicing Forums

a. Regional forums serve as a supplemental conference targeting entry to mid-level associates, who may not normally get to attend a conference.

b. The MBA has conducted 4 conferences already (in Dallas , Philadelphia , Overland Park and Los Angeles). The next regional is scheduled for March 18th in Atlanta

c. Based on the feedback received, the committee will look at modifying the program for the next round of regional forums.

d. The committee is also looking for companies willing to sponsor the event.

III. Insurance Task Force Update

a. Discussed the purpose behind an insurance taskforce. The purpose is to study the various issues surrounding insurance, including but not limited to, terrorism insurance, mold insurance and the downward trend in rating of the insurance companies.

b. A survey of the market has shown a varied impact of terrorism insurance on the market. The new legislation on November 26, 2002 , the Terrorism Insurance Risk Act (the “Act”) is new and things continue to change quickly for Servicers. The new legislation covers:

   i. Foreign acts of terrorism only (no domestic acts of terrorism)

   ii. Losses must total over $5 million dollars (although, the losses as defined do not just mean loss of property)

   iii. The Act requires all insurance companies to automatically cover all insurers initially with terrorism insurance. Then, the companies must send notices to each insurer within 90 days of the passing of the Act stating their coverage and in order for an insurer to be excluded from coverage, that insurer must affirmatively state they do not wish to continue their policy.

iv. Servicers are not involved in the notice process to the insurers. We learned in San Diego that the regulation would not require the insurance companies to notice any third party beneficiary on the policies that an insurer had decided to terminate their terrorism insurance policy. This makes it more difficult for Servicers to keep track of the notice process and what Borrowers are electing to do about their terrorism policies.

v. There remain many questions surrounding terrorism insurance, even with the passing of the Act. Questions included the type of policy offered by each insurance company and the requirements for the policies.

vi. MBA will continue to work with the Treasury to get a greater understanding of the Act. The Insurance Task Force is looking for information from the members on whether the Act does in fact increase the availability of insurance coverage and provide policies at a reasonable price. Members can help gather this data on the impact of terrorism insurance, so the information can be relayed to Treasury.

c. Questions & Answer:

i. **Issue**: What has occurred with the cost of insurance in the past year? **Answer**: Right after September 11th, the cost of terrorism insurance was extremely high, now prices have dropped since the initial reaction. However, the market varies greatly on the cost, some are still increasing and some are static. Generally, from the information received to date, it appears that there has been about a 20% increase, but not enough data has been gathered to be definitive.

ii. **Issue**: Is terrorism being excluded in most policies (prior to the Act)? **Answer**: Some information gathered shows that exclusions are happening, but again, not enough data has been gathered on the subject.

iii. **Issue**: Does the MBA have a link to the Insurance Services Office ("ISO"), which details how to understand risk in various cities? **Answer**: Yes, the MBA does have a link to the ISO on its website and will continue to circulate information it received on key cities. The MBA stresses the importance of members communicating their concerns around notice, costs, the intended purpose of the Act versus the actual end results, and suggesting what possible changes may need to be made in order to make the Act more effective.

IV. Sarbanes-Oxley Act

a. The broad language in the bill has unintended consequences, which have affected the commercial mortgage industry.

i. The certification is now looking for 3rd parties to provide information.

ii. The liability for errors is without a materiality standard.

b. MBA has a newly established working group that is concentrating on the following:

i. Generating a list of issues

ii. Looking at modification of the certification

iii. Possibly requesting a carve out for the commercial industry

iv. Expressing the impact to the industry (consistency, delays, increased costs, etc.)

c. The SEC has already in the past understood that the Asset Backed industry is very different than other areas under the SEC's jurisdiction. In the past the SEC has made exceptions for Asset Backed products. This will be studied to see if this same logic can apply here for Sarbanes-Oxley and recommendations will be made to the SEC for changes or exemption.

d. To view the Sarbanes-Oxley certification, you can directly link to the rule from the MBA website.

V. PSA Article III Update

a. The purpose of the task force was to cure ambiguities and conflicting language in the pooling and servicing agreements.

b. The task force did gather standard language and drafted a white paper, which was included in the packet given at CREF.

i. The committee has approved the article and the paper will go before the COMBOG for endorsement at the CREF convention.

ii. Upon approval from COMBOG, the paper will then be circulated throughout the industry for comments and use.

VI. Servicer Survey Working Group

a. A survey was created to request information from the large servicers on the product type and role in a deal (i.e., Master, Special, etc.).

b. The survey kept changing and created some additional cost, so the MBA is currently looking into the purpose for the survey and the proper format for gathering this data going forward. The goal will be to minimize the amount of time spent on the survey, while maximizing the information.

c. The Research Committee staffed by Jim Freund determined that all servicers will be reviewed at year end and large servicers will also participate at mid-year (a large servicer shall be defined as servicing over $1 billion dollars)

d. The criteria for ranking the companies are still under review.

e. The information provided on Special Servicers will be broadened.

f. The rating agencies will be included in this discussion, to get their input on how they would like to see the data displayed.

VII. Portfolio Review Guidelines

a. MBA/CMSA Watchlist standardized criteria is completed.

b. MBA had concerns that once a standard Watchlist is completed that compliance would be required. So the MBA solicited input from the members.

c. MBA and CMSA decided to each establish their own list of criteria. While the organizations each had a different approach to the issue, when the MBA and CMSA came together with their lists, the issues were similar. The differences between the lists revolved around the triggers and severity for placement on the Watchlist. The MBA and CMSA then sat down and discussed the differences and were able to find a common ground.

d. The CMSA then completed the project with the adoption of the Watchlist as part of the new Investor Reporting Package, effective April 1, 2003 .

e. The new guidelines were included in the packet received at CREF

f. Question and Answers

   i. **Issue**: What is the MBA's position on the changes to the Watchlist? **Answer**: The MBA accomplished the goals set forth by the members. The term "Watchlist" is not applicable to the MBA constituency. The criteria may serve as a guideline for portfolio lenders but it is not an MBA endorsed standard.

VIII. USAP Update

a. Commercial is currently using a USAP that was developed for single family (residential) use; so it does not exactly fit the commercial needs.

b. MBA has established a working group to customize the USAP to our industry.

c. Issues with the USAP

   i. The residential sector has completed some changes to the USAP for its industry, however the terms still differ and many do not apply for commercial.

   ii. A separate USAP is needed for Master Servicers.

d. The goal of the working group is to submit a new USAP to the accounting community and law firms, with an effective timeframe for all reporting after March 2003.

e. An outline for creating the new USAP was included in the package handed out at CREF.

IX. MERS Update

a. The Loan Integrity Task Force is working with MERS to eliminate the need to prepare assignments to loan documents.

b. MERS had a booth at the Exhibit Hall and explained their target date for rollout of the project is mid-July 2003.

X. June 2003 Asset Administration Conference

a. Scheduled for June 18th through 20th in New Orleans .

b. The next scheduled meeting of the Asset Administration Committee is scheduled to take place at the June conference.

XI. Update of the Policies and Procedures Manual

a. The manual covers the functions of the Asset Administration Committee and has not been revised since 1999.

b. The committee is looking for a task force to review the current procedures and then make updates as applicable.

c. The committee is requesting the help of the rating agencies to complete this task.

XII. MBA Updates

a. Commercial Newslink

   i. The MBA has launched the C Newslink – a weekly public distribution on Thursdays focusing on commercial and multifamily news.

   ii. Commercial members currently receiving the daily email Newslink may opt out, as commercial items will no longer be covered in detail in that publication.

b. Education Task Force

   i. The task force is looking for volunteers to assist in undertaking course review and development, in order to offer relevant and timely material.

   ii. In the packet provided at CREF was a list of the current courses available.

   iii. If there are questions, please contact Dan Thoms by email at dan_thoms@mbaa.org or by phone – 202-557-2915.

c. E-Mortgage Paper

   i. The E-Mortgage working group, along with MISMO (Mortgage Industry Standards Maintenance Organization), is releasing a draft paper covering the feasibility of E-Mortgages in the Commercial Industry.

   ii. The paper can be found on line at www.mismo.org

   iii. The committee strongly encourages people to submit any comments or thoughts to the group through the email address provided on the website or you can contact Dan Szparaga (the MBA representative) at 202-557-2805.

XIII. Other Business

a. None reported.

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