

Summary Minutes International Committee
Sunday, February 4, 2001
9:00 AM- 10:00 AM
San Diego Ballroom, Salon C
San Diego Marriott Hotel & Marina
San Diego, California

Chair:

Shekar Narasimhan

Managing Director, Agency & Funds Management
Prudential Mortgage Capital Company

Vice Chairs:

Joseph P. Forte, Esquire

Partner Thacher Proffitt & Wood

Kenneth Gordon

Vice President
CDPMortgageCorporation

Gretchen Schwabe Wilcox

Chief Executive Officer
G. S. Wilcox & Company

Chair Shekar Narasimhan called the meeting to order at 9:00 a.m. He welcomed all in attendance and thanked them for their participation in the CREF convention. Mr. Narasimhan introduced each of the committee vice-chairs. (Note: All chairs were in attendance.)

Mr. Narasimhan then introduced Deborah McKinnon, Staff Vice President of the MBA, to report on MBA International activities to date.

Ms. McKinnon first informed the group that Jonathan McKetney had been recently hired by the MBA to be staff representative for the International Committee and welcomed him.

Ms. McKinnon then informed the group that Societas is led by Debra Erb, President of Societas. She expressed apologies that Ms. Erb was not able to attend the meeting.

She noted Societas' desire to cooperate with others in mortgage banking industry and that they actively seek opportunities to work in collaboration with other institutions that share their goals. She continued by informing the membership about Societas's various programs, including technical assistance, educational offerings, as well as their publication, the International Journal of Real Estate Finance. The journal is a quarterly publication with contributions from authors around the world that includes articles that promote international finance by way of education, information sharing and editorials. She stated that the journal actively seeks articles from interested parties that represent varying views on the international marketplace, and asked, on behalf of Debra Erb, for those interested in contributing to the publication to contact Ms. Erb. She then thanked those in attendance for their attendance at the CREF Convention and encouraged their participation in Societas.

Ms. McKinnon called the participant's attention to the information concerning the German Mortgage Banking Association found in the committee briefing kits. The information

contained in the briefing kits included hard copies of the pages of the German Mortgage Banking Association's website, including the organization of the structure of the Association, history of the commercial and residential mortgage banking business in Germany, a list of the member institutions of the Association and charts showing volumes and forecasts for production. The website is www.hypverband.de.

Mr. Narasimhan then introduced Mr. Maynard Ahner, of SSC who was invited to discuss third party servicing opportunities in international commercial real estate business and the obstacles and opportunities U. S. lending institutions face.

Mr. Ahner began his presentation by informing the group about his background and his primary role at SSC, which is in servicing software and related products. He informed the group that he had recently been doing work in Japan and that his commentary would be primarily based on his latest experiences there.

---The Japanese real estate market is still rather soft and property prices are still in decline, which may present opportunities for purchasers, especially in the Class A downtown office in Tokyo and other major cities. Many transactions are being done based on relationships rather than on the cash flow generated from the property.

---As a result of declining values and the lethargic economy in Japan, real estate investments may yield high returns. However, he cautioned that there are numerous impediments to entry into this market that must be well understood before transacting business there. Japan's national and local politics, systemic corruption, cultural/language barriers, and real estate infrastructure are important issues, amongst others, that must be considered and well understood in order to have success there. These considerations amongst others should be considered by United States institutions not only when doing business in Japan, but in other countries as well.

Mr. Narasimhan thanked Mr. Ahner for his insights and suggested that Mr. Ahner consider writing an article regarding servicing commercial real estate in international markets for publication in *Societas*.

Mr. Narasimhan then spoke briefly about the committee's mission to promote outreach to international markets and addressed the efforts necessary to accomplish that mission. He informed the membership that with respect to these efforts the leadership of the committee is proposing an International Summit with the German Mortgage Bankers, the Canadian Members of the MBA and the US members of the MBA that would take place in Toronto, Canada during the Annual MBA Convention in October. The intent of the meeting is to facilitate a forum for to gain a greater mutual understanding the banking and real estate finance cultures. The long-range objective would be increases in capital flows/liquidity between the United States and international sources.

He mentioned that emphasis would be on the German mortgage banking institutions because legislation pending in the Bundestag that would allow them to do business in the US is likely to be approved in the near future. He stated that German mortgage bankers have increased their investments in European markets considerably over the last few years, with the United Kingdom as an example, where German holdings of commercial real estate debt have increased from negligible to 22% over the last three years. He noted that real estate financing from German sources could be obtained at 40 basis points below prevailing rates in the US today. Given these factors it is imperative that United

States commercial mortgage banks make efforts, such as the proposed summit, to reach out and engage the German mortgage banking community in an effort to promote their use as logical intermediaries as they enter this market. He opened the floor for discussion and responses to this proposal. Members raised the following issues and comments for the leadership's consideration:

Who will be there to represent the various real estate organizations? Representatives from the banking community, insurance institutions, etc.? Suggestions regarding meeting size followed.

In relation to capital flows, will there be a net inflow to foreign markets or a net outflow? It is more likely that capital will flow out of Germany, given the attainable financing rates, however it is also important to consider the need to understand the ways securitizations in Germany are transacted.

It is important that before engaging the German banking community, that the committee's establish as its first priority a greater understanding of the Germany's and Canada's social and business cultures. Many participants were in agreement and the suggestion was made that some sort of "primer" be prepared for members prior to any substantive contact being made.

Issues regarding the format for such a meeting were raised and the suggestion that a general meeting take place as part of the program, possibly utilizing a point/counterpoint comparison of the real estate financial markets and their processes. That meeting would be followed by break out sessions in smaller groups that would include members from the each of the banking communities represented. Many in attendance were in agreement with this proposed format. The suggestion was made that a research paper regarding comparisons of these markets might be undertaken and published, possibly as an article in *Societas'* journal.

As a result of the discussion, the membership reached a consensus that the proposed meeting was warranted and that further discussion would take place amongst the leadership giving consideration to commentary from the committee. Mr. Narasimhan then suggested that an International Summit Task Force be formed, headed by Gretchen Schwabe Wilcox, to plan/coordinate/facilitate the meeting. He informed the group that when the plan was formulated information would disseminate to the membership of the committee. Members were in agreement.

Mr. Narasimhan then mentioned the International Real Estate Panel and the International Networking Reception that are sponsored by the International Committee during the CREF Convention and invited those in attendance to participate.

Mr. Narasimhan informed the committee that the next meeting is on October 14, 2001, in Toronto, Ontario and thanked them for their attendance and participation.

Mr. Narasimhan adjourned the meeting at 10:00 AM.

Mortgage Bankers Association.

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