

March 1, 2002

Summary Minutes, February 3, 2002
Loan Origination Committee Meeting
Commercial Real Estate Finance/Multifamily Housing Convention
Walt Disney World Dolphin
Lake Buena Vista, Florida

Chair,
Nathaniel Margolis, Esq.
Counsel, John Hancock Life Insurance Company

Vice Chair,
Barbara Bartmann
Manager, Business Men's Assurance Company of America

Vice Chair,
Gary S. Smuckler, Esq.
Partner, Morgan, Lewis & Bockius

Vice Chair,
Charles L. Perry, Jr.
President & Chief Executive Officer, Environmental Warranty, Inc.

Chair, Nathaniel Margolis called the meeting to order at 12:00 p.m. He welcomed all those in attendance and introduced the Vice Chairs to the audience.

Mr. Margolis subsequently asked Mr. Perry to discuss issues relating to Environmental Insurance. Mr. Perry stated that currently there is ambiguity in the commercial real estate finance industry relating to types of environmental insurance policies available to lenders and borrowers and coverage afforded by these policies. After a brief discussion, the Committee leadership decided to form a task force to assemble information for MBAs commercial membership in form of a broad, dynamic guideline. The task force will be co-chaired by Mr. Perry and Richard Jones, Esq., of Dechert. The goal is to provide MBA members with: a) a listing of the types of commercial environmental insurance policies and coverage available in the marketplace, including concise definitions of these types; b) types of coverage provided to lenders under these policies; and c) pitfalls for lenders relating to each policy type (i.e. claims processes, exclusions).

Mr. Margolis mentioned that disaster/mold has recently been highlighted as an issue in the commercial/multifamily industry. He advised the audience to inform the Committee leadership if such problems exist and the ramifications to MBA constituents.

Mr. Margolis also recognized that terrorism insurance is an issue of concern for all MBA members. Accordingly, there would be extensive discussion relating to the issue at the Capital Markets Committee Meeting and a panel session on Monday, February 4, 3:45 – 5:00 p.m., "Evolving Effects of Terrorist Attacks on the Commercial Real Estate Finance Community".

Next, Mr. Margolis asked Mr. Smuckler to report on Executive Order 13224 ("Order"). Mr. Smuckler reported that the MBA held an audio conference on January 16 in conjunction with his law firm, Morgan, Lewis & Bockius, to inform its entire constituency about the Order and all related issues. He stated that the Order essentially prohibits financial transactions with terrorists and those who support terrorism. The Order places the onus on mortgage bankers to screen anyone they interact with on a day-to-day basis. Mr. Smuckler stated that although the Order provides a list of forbidden individuals and organizations, the compliance requirements are complicated and extremely broad. And, the penalties for non-compliance can be quite severe. Mr. Smuckler suggested that all mortgage bankers take reasonable steps to comply with the Order by having a comprehensive screening procedure in place. He stated that the MBA would explore holding a second audio conference in the upcoming months as things remain quite uncertain and the law is changing constantly.

Mr. Margolis informed the audience of a panel being held in conjunction with the CREF Convention on rating agency criteria for CMBS loans. The panel would be held on Monday, February 4, from 10:45 a.m. – 12:15 p.m.

Mr. McLaughlin of MERS, Inc. (Mortgage Electronic Registration System) updated the Committee on recent efforts by the MERS Working Group to adapt the MERS registry system for the commercial industry. Mr. McLaughlin presented a brief overview of MERS

and summarized efforts to raise funds for development of the commercial model. Mr. McLaughlin stated that the total cost for building the commercial model is projected to be about \$500,000. To support the cost of development, MERS through the Working Group is approaching issuers of commercial mortgage securities and requesting that they commit to, and invest in, this initiative. Each investor would receive a commercial return on its investment and have a seat at the table in the final development of the system. To date, Bear Stearns and Wells Fargo have committed \$50,000 each, according to Mr. McLaughlin.

Tahir Naseem, Staff Representative, reported that on December 20, 2001 Congress passed H.R. 2869, the "Brownfields Reform and Small Business Liability Relief Act". Further, the President of the United States signed the legislation into law on January 11, 2002. The bill provides up to \$200 million a year to cleanup more than 500,000 brownfields sites.

Next, Mr. Margolis asked Anton Walden of Project Resources, Inc. to provide an update on a web based course being developed by his company in conjunction with CampusMBA. Mr. Walden reported that a training program was being developed as an educational tool for MBA constituents relating to property inspections and environmental/engineering reports. The course would outline how such reports are put together and how to review and analyze them. The expected roll out date for the final product is April 2002.

The next Committee meeting will be held Sunday, October 20, 2002 in conjunction with MBA's Annual Convention in Chicago, Illinois.

The meeting adjourned at 1:00 p.m.

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