

**Minutes**  
**Loan Origination Committee Meeting**  
**Sunday, October 14, 2001**  
**Toronto, Ontario**

**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.

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Chair, Nathaniel Margolis called the meeting to order at 11:30 a.m. He welcomed all those in attendance, thanked the chair and vice chairs from last year and introduced the Vice Chairs to the audience.

First, Mr. Margolis introduced Mr. Bill Hultman, Executive Vice President, MERS Inc. Mr. Hultman updated the committee on recent efforts by the MERS Working Group to adapt the MERS registry system for the commercial industry. Mr. Hultman presented a brief overview of MERS (Mortgage Electronic Registration System) and summarized efforts to raise funds for development of the commercial model. Mr. Hultman 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 their 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. Hultman.

Next, Tahir Naseem, Staff Representative, provided an update on brownfields legislation. The Senate passed S. 350 unanimously in April 2001. A similar bill, HR 2869, was recently introduced in the House which authorizes \$1.25 billion over five years to clean up brownfields properties and to provide relief from liability for small businesses that contribute only small amounts of hazardous waste. The House bill has been stalled because Democrats want assurances from the White House that workers involved in brownfields projects will be paid prevailing wage rates as called for under the Davis-Bacon Act. Mr. Naseem went on to state that the MBA is confident a satisfactory brownfields bill would be passed in the near future.

Mr. Margolis subsequently asked vice chair, Barbara Bartmann to discuss issues relating to Environmental Insurance. Ms. Bartmann 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 the coverage afforded by these policies. After a brief discussion, the Committee leadership decided to explore forming a task force to assemble information for MBA's commercial membership. 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).

Next, Mr. Margolis discussed possibly forming a working group to gather information relating to rating agency criteria for the evaluation of loans in a CMBS pool. Mr. Joseph Forte of Thacher, Proffitt & Wood, stated that this information often amounts to a starting point for the agencies and recommended that the Loan Origination Committee take its inquiry further and survey all three rating agencies with pointed questions and scenarios in order to extract pertinent information. Mr. Margolis stated that the Committee would look into surveying the rating agencies in the near future. The Committee leadership decided to hold a conference call to explore this possibility by the end of October.

Subsequently, in light of the recent terrorist events, the discussion turned to disaster recovery protocols. Mr. Margolis stated that the Committee would consider creating a "Top 10" list relating to disaster recovery procedures. The Committee leadership will hold a conference call to explore this possibility by the end of October.

Next, Mr. Margolis informed all attendees of a course being developed by Project Resources, Inc. in conjunction with CampusMBA relating to Environmental and Engineering Reports. Mr. Margolis stated that the course would result in an educational tool for performing field inspections and reviewing such reports. The expected roll out date for the final product is February 2002.

Next, Mr. Margolis solicited panel topic ideas for the upcoming Commercial Real Estate Finance/Multifamily Housing Convention (CREF) being held in February 2002. The main topic suggested related to terrorism insurance.

Mr. Forte provided an update with respect to MBA efforts, along with other trade associations, to ensure that the real estate industry will be able to obtain terrorism insurance in the future. Mr. Forte reported that a Bush Administration proposal was unveiled recently which would create a temporary (three-year) federal role in providing backstop terrorism insurance to primary insurers and encourage private markets to develop longer-term solutions to the looming terrorism insurance gap. Mr. Forte reported that several MBA members would continue working with both the White House and Congress to find a resolution relating for terrorism insurance issues.

Finally, Mr. Naseem provided an update on office vacancy rates in the United States. Mr. Naseem reported that office vacancy rates, according to a recently released FDIC Quarterly Report, have increased from 8.3% to 10.8% in the last six months. This is the largest quarterly increase in the last twenty years. The slowing of the economy, declining office employment growth and high-tech companies closing doors or scaling back their operations appear to be contributing causes to the rise in vacancy.

The next Committee meeting will be held Sunday, February 3, 2002 in Orlando, Florida, in conjunction with the Commercial Real Estate Finance/Multifamily Housing Convention.

The meeting adjourned at 12:30 p.m.

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