



MBA Seismic Standards Efforts

MBA has been working with the ASTM International (ASTM) for the past several years to revise E2026, Standard Guide for the Seismic Risk Assessment of Buildings. ASTM International is one of the largest voluntary standards development organizations in the world and is an important source for technical standards for materials, products, systems, and services.

For commercial real estate loans that are made in areas of the country with a significant degree of earthquake activity (Zones 3 and 4), lenders typically require an earthquake probable maximum loss study (PML study) in order to fund a loan. The purpose of the PML study is to examine the potential susceptibility of a commercial project to earthquake damage. For those properties that have a significant likelihood of sustaining earthquake damage of over 20 percent of property value, most lenders require earthquake insurance to be in place.

However, the lack of a widely adopted earthquake PML study standards has caused a wide variation in earthquake PML study results. Consequently, MBA members requested MBA to work with ASTM to revise E2026 in a manner that would allow for its more widespread adoption.

Over the past two years, MBA along with the Seismic Working Group has participated in dozens of ASTM meetings as well as conducted over 50 conference calls to reach consensus for changes to the E2026 document and the introduction of the Standard Practice for Probable Maximum Loss Evaluations for Earthquake Due-Diligence Assessments (XA) document, which is intended to address securitized mortgages.

At the last ASTM meeting in September 2006 in Atlanta, MBA's concerns about the E2026 and XA documents were properly addressed and both documents are now endorsed by MBA. The documents are currently in the ASTM balloting process, which should be completed by April 2007. If approved, the documents will become official ASTM Standards.

The Seismic Working Group is also preparing the Seismic Handbook which is intended to demystify how seismic studies are performed and provide instruction on incorporating the revised ASTM standards into seismic reports. The Seismic Handbook is due out in Second Quarter 2007.