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CMSA/MBA Borrower Satisfaction Survey

Study Findings December 2005





Study Objectives

- Commissioned by the CMSA/ MBA Borrower Survey Task Force and conducted by Gantz Wiley Research, the study is intended to provide member organizations information about borrowers' experiences and perceptions
 - Decision drivers when selecting a capital source (as distinguished from selecting a lender)
 - Borrower preferences across capital sources
 - Ideas to improve the borrowing experience, from origination through post closing service
- This survey is intended as a benchmark against which future results can be compared





Background Information

- Telephone study
- 7 interviews completed with Intermediaries
- 149 interviews completed with Borrowers
 - List sources: ICSC, NMHC, ULI
- Respondents chosen across asset types, regions and by experience with various capital sources
- Criteria for participation:
 - Closed 2 or more permanent commercial loans within past 2 years
 - Considered at least two lending sources in past 2 years
 - Average loan size over \$3 million





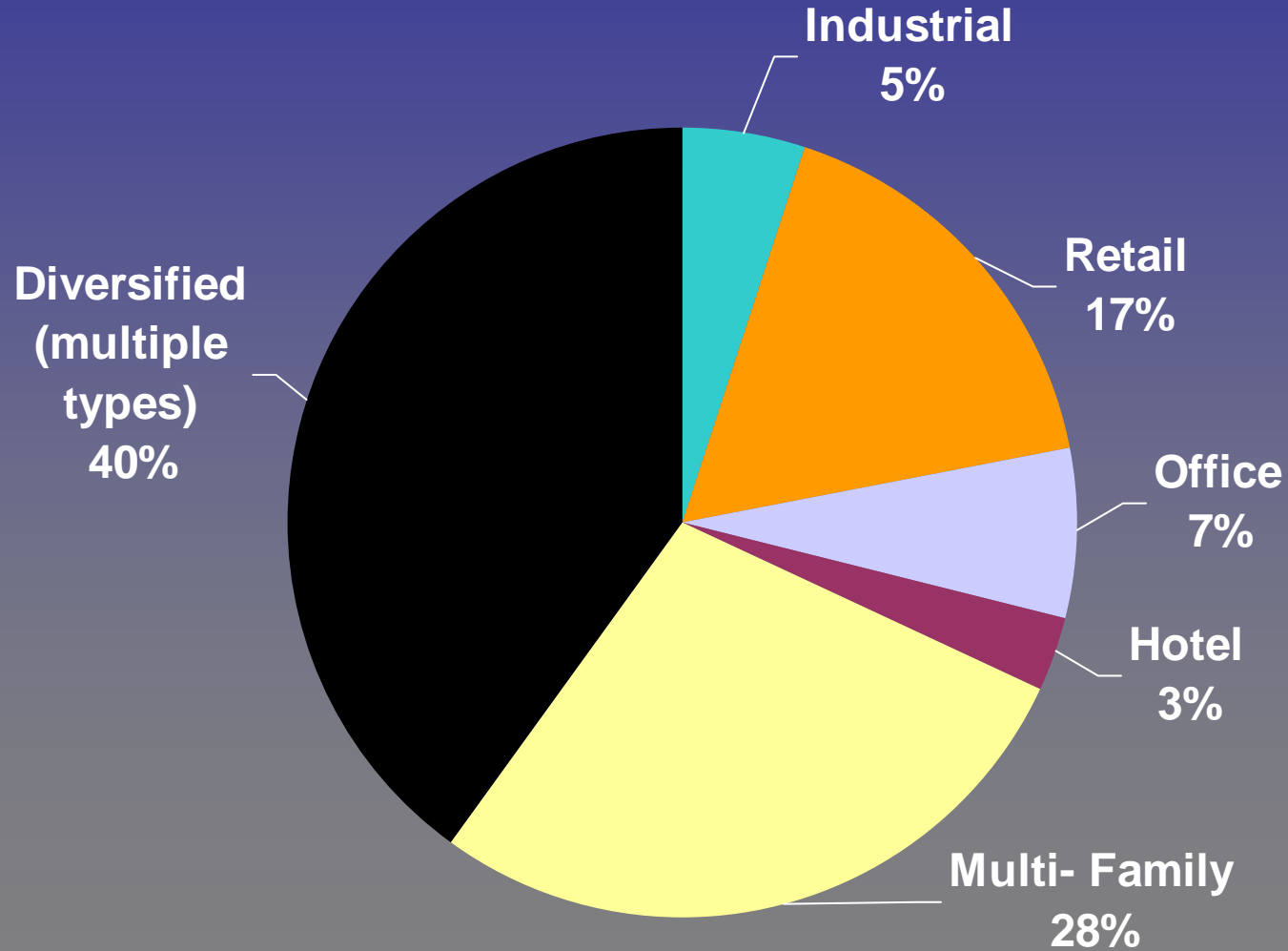
Sample Distribution Across Sources

	Considered in past 2 years		Most recent loan experience	
	N	%	N	%
Commercial Bank	111	71%	40	26%
CMBS	97	62%	36	23%
GSE	56	36%	28	18%
Life Insurance	96	62%	45	29%
Other	20	13%	7	5%





Primary Asset Type





Importance Ratings of Key Selection Factors

Reliability, rates, loan conditions (reserves holdbacks, amortization, etc.), clear communication of options and requirements, and proceeds are the top factors in selecting a source for mortgage capital.





Competitiveness Across Sources

CMBS loans show the most significant differences from the other sources in competitive perceptions. (Scale: 5 = very competitive; 1= not competitive)

	Commercial Bank (a)	CMBS (b)	GSE (c)	Life Insurance (d)	Other (e)
Certainty	4.27 ^b	3.51 ^{ad}	3.98	4.12 ^b	3.87
Rates	3.78 ^{bc}	4.48 ^a	4.41 ^a	4.15	4.07
Loan Conditions	3.93 ^b	3.03 ^{acd}	3.62 ^b	3.89 ^b	3.47
Clear Communications	3.92 ^b	3.48 ^{ad}	3.75	3.99 ^b	3.47
Loan Proceeds	3.83 ^b	4.39 ^{acd}	3.70 ^b	3.80 ^b	4.07
Ease of Business	3.54	3.41	3.56	3.66	4.00
Speed/Responsiveness	3.90	3.79	3.50	3.52	3.53
Closing Speed	3.90 ^{bcd}	3.36 ^a	3.40 ^a	3.44 ^a	3.73
Loan Term	3.74 ^d	3.89	4.11	4.17 ^a	4.13
Ability to Restructure	4.00 ^b	1.68 ^{acde}	3.61 ^b	3.67 ^b	3.13 ^b
Transaction Fees	3.73	3.41	3.47	3.78	3.40
Closing Costs	3.84 ^b	3.42 ^a	3.48	3.65	3.53
3 rd Party Professionals	3.96 ^{bce}	3.00 ^a	3.44 ^a	3.55	3.27 ^a
Post Closing Service	3.89 ^b	2.40 ^{acde}	3.69 ^b	3.84 ^b	3.71 ^b
Quality of Lenders	3.90	3.81	4.15	4.18	3.80

Significantly higher than sources indicated

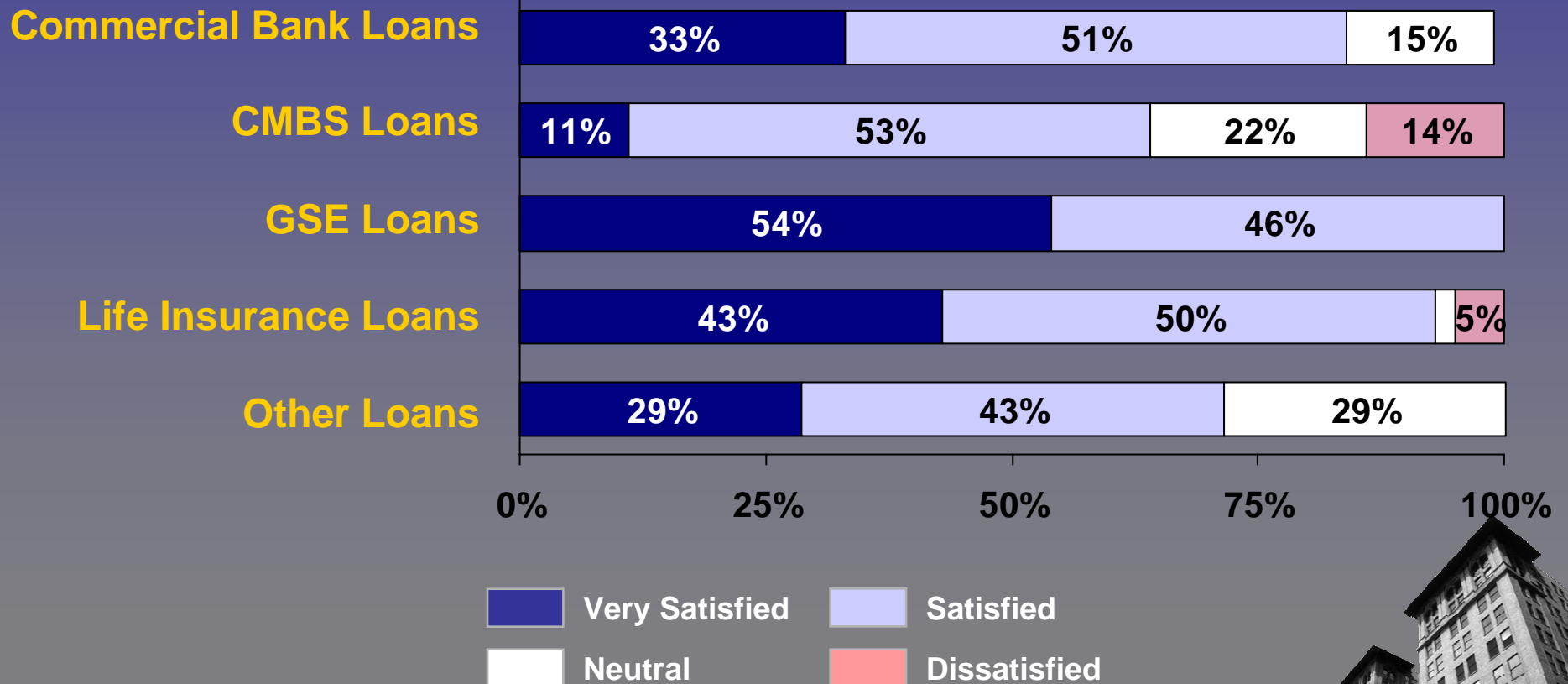
Significantly lower than sources indicated





Overall Satisfaction with Most Recent Loan

Overall experience with the most recent loan is favorable overall. GSE and Life Insurance loans were rated most favorably; CMBS loans were rated the least favorably.





Satisfaction Across Sources

Borrowers are satisfied with most aspects of their most recent experience.

	Commercial Bank (a)	CMBS (b)	GSE (c)	Life Insurance (d)	Other (e)
Certainty	4.18	3.89	4.68	4.56	4.43
Rates	4.11	4.67	4.50	4.58	4.29
Loan Conditions	4.03	3.58	4.14	4.13	4.00
Clear Communications	4.05	3.81	4.39	4.16	4.29
Loan Proceeds	4.22	4.28	4.36	4.58	4.57
Ease of Business	4.37	3.75	4.29	3.23	4.57
Speed/Responsiveness	4.39	3.97	4.21	4.11	4.14
Closing Speed	4.03	3.47	4.00	3.95	3.86
Loan Term	4.24	4.19	4.58	4.59	4.00
Ability to Restructure	4.21	1.83	3.15	3.79	3.60
Transaction Fees	3.82	3.46	3.82	3.82	3.57
Closing Costs	3.87	3.50	3.48	3.65	3.53
3 rd Party Professionals	3.92	3.35	4.12	4.05	4.17
Post Closing Service	4.06	2.40	3.69	3.84	3.71
Overall Experience	4.18	3.58	4.54	4.27	4.00





Satisfaction Across Sources

There are fewer significant differences across sources when rating satisfaction with most recent loan; CMBS does score lower overall and on 4 additional factors.

	Commercial Bank (a)	CMBS (b)	GSE (c)	Life Insurance (d)	Other (e)
Certainty	4.18	3.89 ^{cde}	4.68	4.56	4.43
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Overall Experience	4.18	3.58 ^{acd}	4.54	4.27	4.00

Significantly lower than sources indicated





Satisfaction with Most Recent Experience

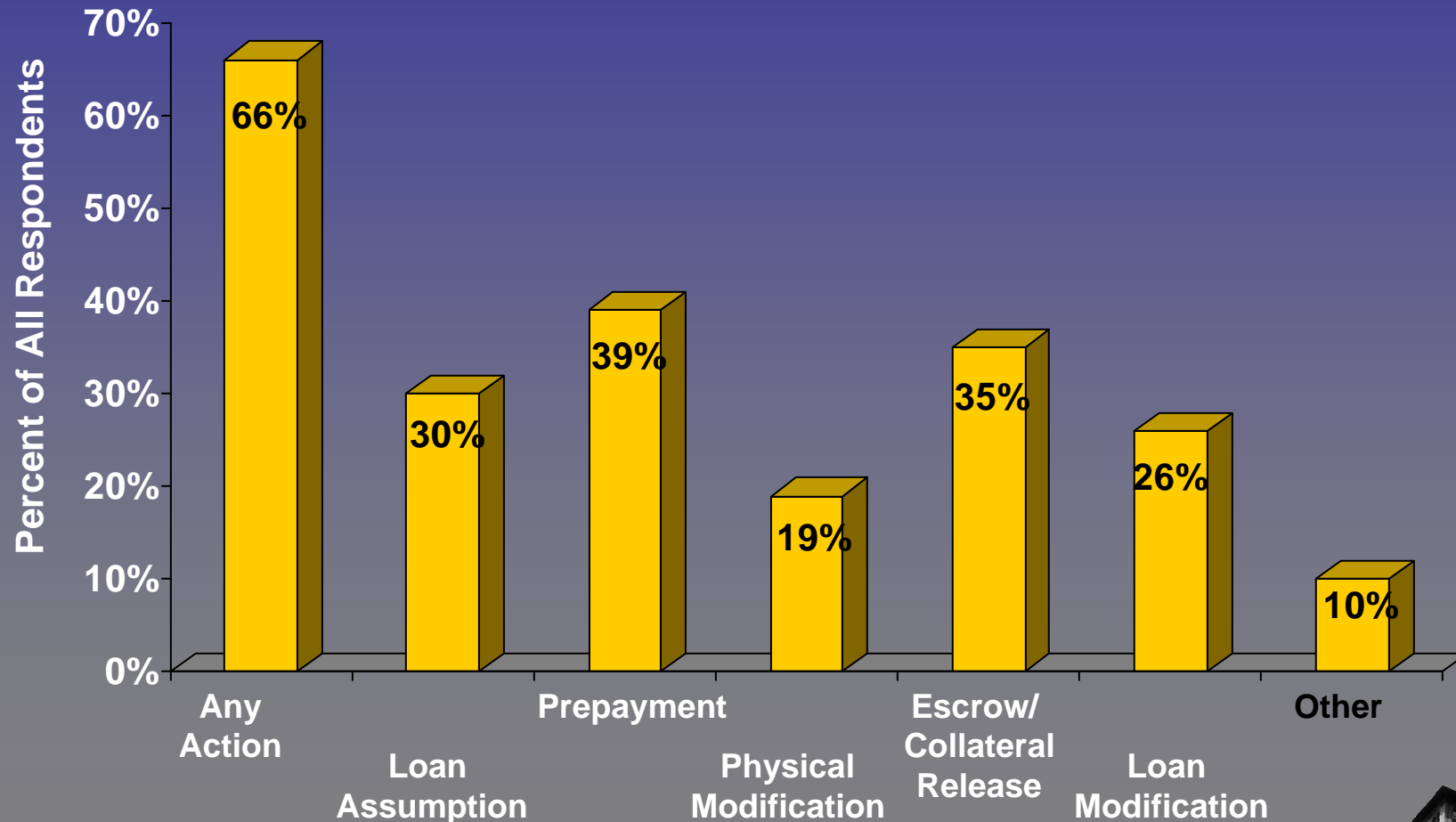
Areas of low dissatisfaction are similar across capital sources.

<p>Commercial Bank Loans</p> <p><u>Highest satisfaction:</u> Speed/ responsiveness Ease of doing business Loan term Loan proceeds Ability to restructure</p> <p><u>Lowest satisfaction:</u> Transaction fees Closing costs 3rd Party professionals Closing speed Loan conditions</p>	<p>CMBS Loans</p> <p><u>Highest satisfaction:</u> Rates Loan proceeds Loan term Speed/responsiveness Certainty of execution</p> <p><u>Lowest satisfaction:</u> Ability to restructure Post closing service Transaction fees Closing speed Post closing service</p>
<p>GSE Loans</p> <p><u>Highest satisfaction:</u> Certainty of execution Loan term Rates Clear communications Ease of doing business</p> <p><u>Lowest satisfaction:</u> Transaction fees Closing costs 3rd Party professionals Closing speed Post closing service</p>	<p>Life Insurance Loans</p> <p><u>Highest satisfaction:</u> Loan term Rates Loan proceeds Certainty of execution Ease of doing business</p> <p><u>Lowest satisfaction:</u> Closing costs Ability to restructure Transaction fees 3rd Party professionals Closing speed</p>





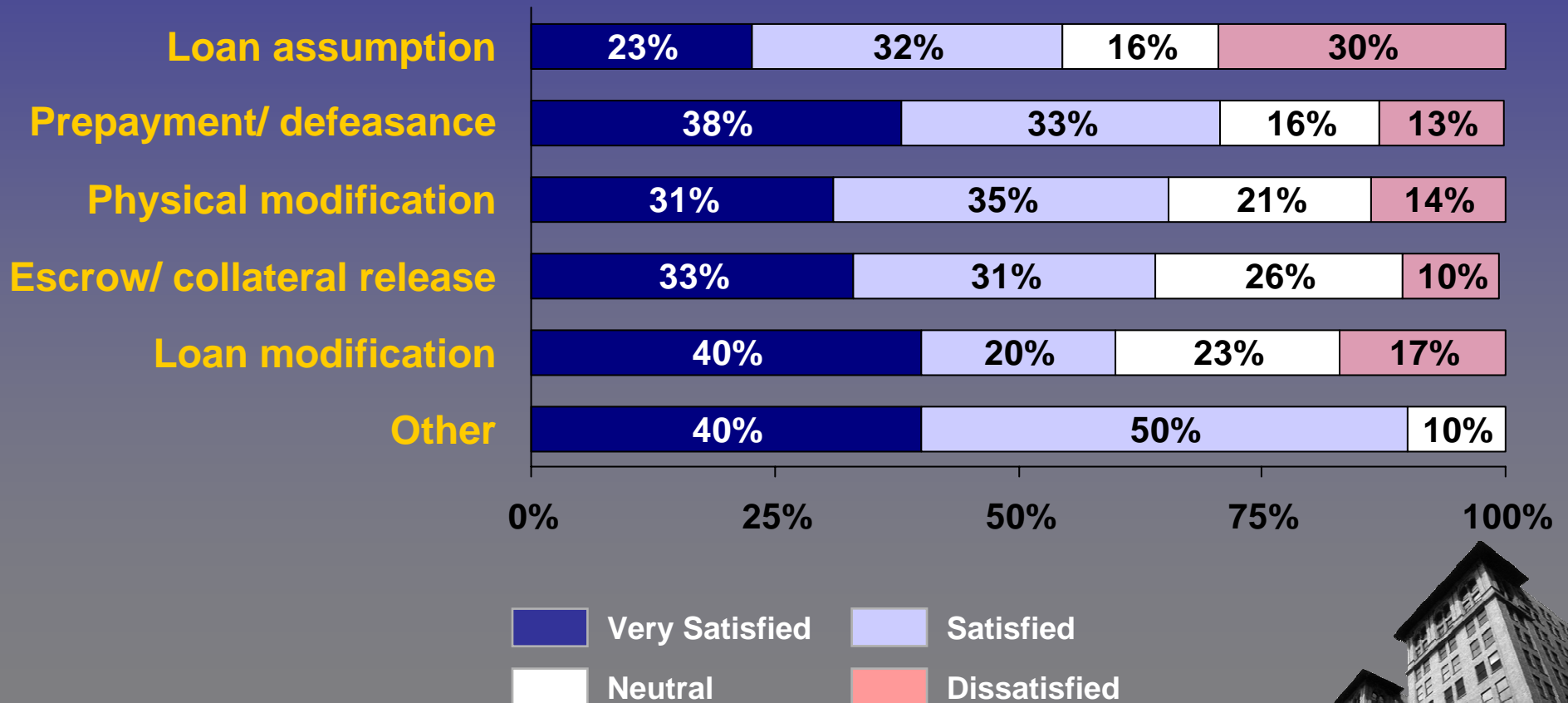
Post Closing Actions in Past 12 Months





Overall Satisfaction with Post-Closing Actions

Borrowers were least satisfied with loan assumption and loan modification actions. Of those who were dissatisfied with any action, 62% were from CMBS loans.





Most Important Industry Improvements as Suggested by Study Participants

- More communication and education (channel options, expectations, terms and conditions, associated costs)
- Enhance post-closing flexibility (ability to improve properties, eliminate yield maintenance; guidelines for most frequent actions)
- Servicing improvements (improve cooperation, service orientation, speed)
- Communication updates on market conditions
- Standardize closing costs, terms, speed
- Build stronger relationships with borrowers





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