



**MBA COMMERCIAL/MULTIFAMILY**

# MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS

**Q1** 2010



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# MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS

## **Q1** 2010



# Commercial/Multifamily Mortgage Delinquencies

## *Economic Weakness Continues to Weigh on Commercial Mortgage Performance*

**First Quarter 2010**

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Delinquency rates continued to increase in the first quarter for all commercial/multifamily mortgage investor groups, according to the Mortgage Bankers Association's (MBA) Commercial/Multifamily Delinquency Report.

The delinquency rate for loans held in CMBS is the highest since the series began in 1997. Delinquency rates for other groups remain below levels seen in the early 1990's, some by large margins.

Between the fourth quarter 2009 and first quarter 2010, the 30+ day delinquency rate on loans held in commercial mortgage-backed securities (CMBS) rose 1.54 percentage points to 7.24 percent. The 60+ day delinquency rate on loans held in life company portfolios increased 0.12 percentage points to 0.31 percent. The 60+ day delinquency rate on multifamily loans held or insured by Fannie Mae rose 0.16 percentage points to 0.79 percent. The 60+ day delinquency rate on multifamily loans held or insured by Freddie Mac increased 0.05 percentage points to 0.24 percent. The 90+ day delinquency rate on loans held by FDIC-insured banks and thrifts rose 0.32 percentage points to 4.24 percent.

"Weakness in the economy has continued to weigh on commercial properties, which in turn weighs on the mortgages they back," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "Economic growth, specifically in areas of jobs and consumer spending, will be key to stabilizing the commercial property and mortgage markets going forward."

Construction and development loans are not included in the numbers presented here, but are included in many regulatory definitions

of 'commercial real estate' despite the fact that they are often backed by single-family residential development projects rather than by office buildings, apartment buildings, shopping centers or other income-producing properties.

The MBA analysis looks at commercial/multifamily delinquency rates for five of the largest investor-groups: commercial banks and thrifts, commercial mortgage-backed securities (CMBS), life insurance companies, Fannie Mae and Freddie Mac. Together these groups hold more than 80 percent of commercial/multifamily mortgage debt outstanding.

The analysis incorporates the same measures used by each individual investor group to track the performance of their loans. Because each investor group tracks delinquencies in its own way, delinquency rates are not comparable from one group to another.

Based on the unpaid principal balance of loans (UPB), delinquency rates for each group at the end of the first quarter were as follows:

- CMBS: 7.24 percent (30+ days delinquent or in REO);
- Life company portfolios: 0.31 percent (60+days delinquent);
- Fannie Mae: 0.79 percent (60 or more days delinquent)
- Freddie Mac: 0.24 percent (60 or more days delinquent);
- Banks and thrifts: 4.24 percent (90 or more days delinquent or in non-accrual).

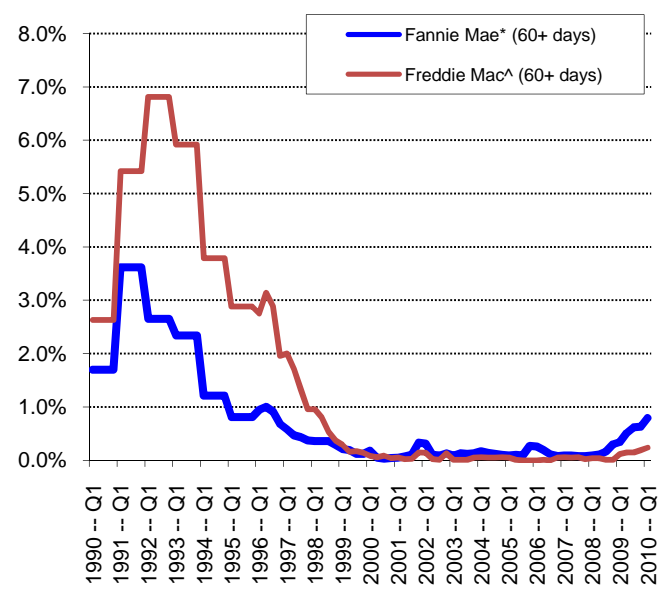
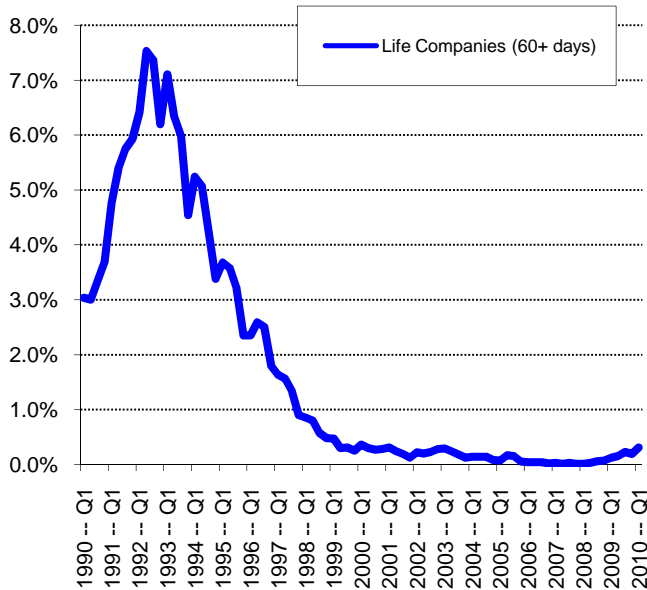
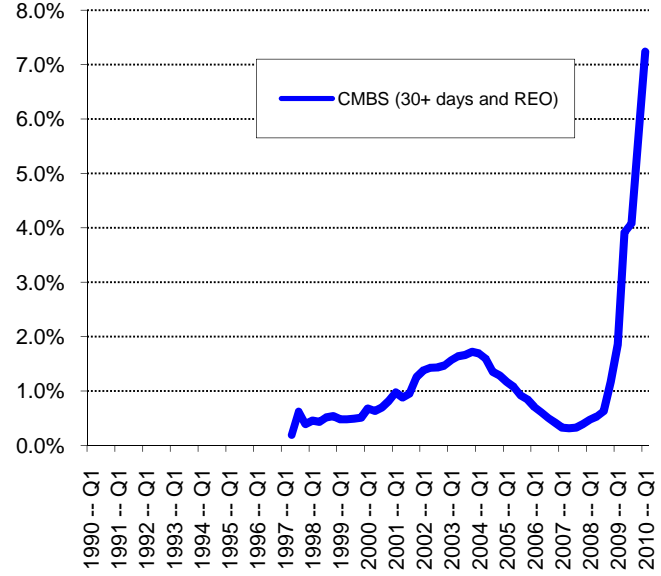
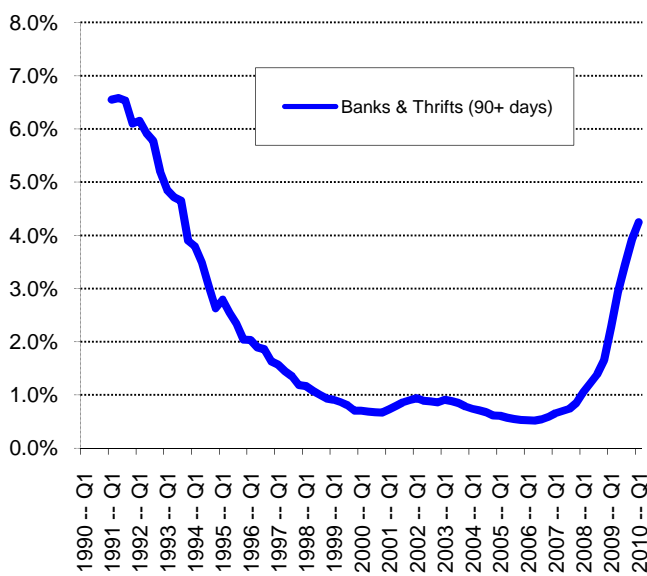
Differences between the delinquency measures are detailed in Appendix A.

# CHART 1. COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES AMONG MAJOR INVESTOR GROUPS



Selected delinquency rates at the end of the period

NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.



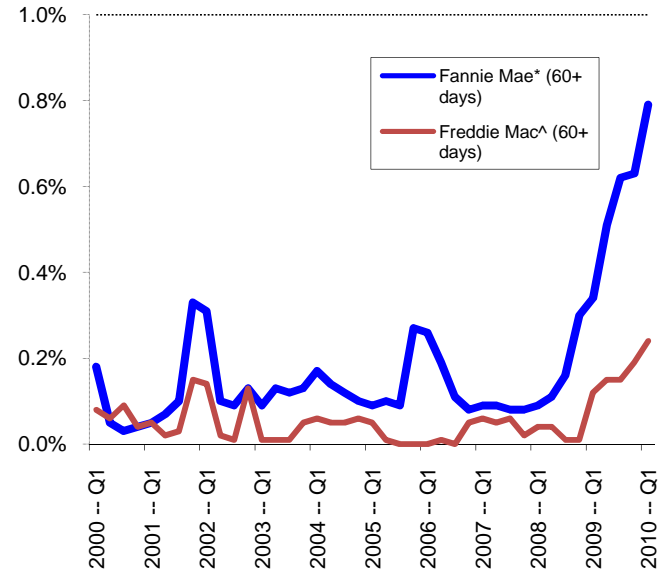
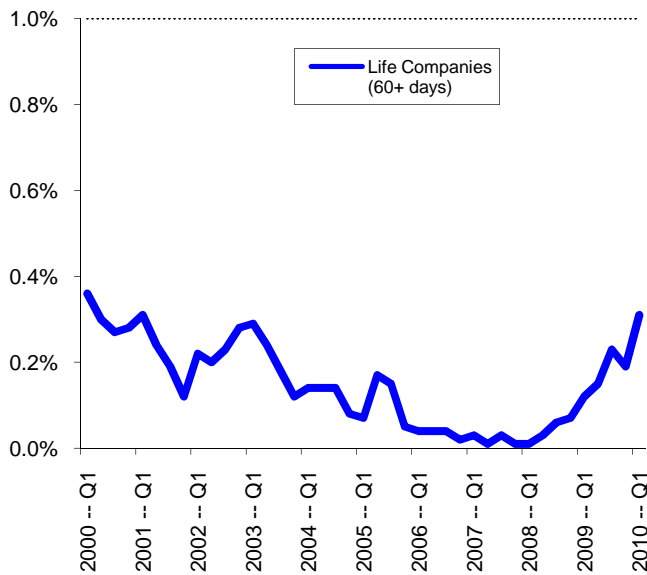
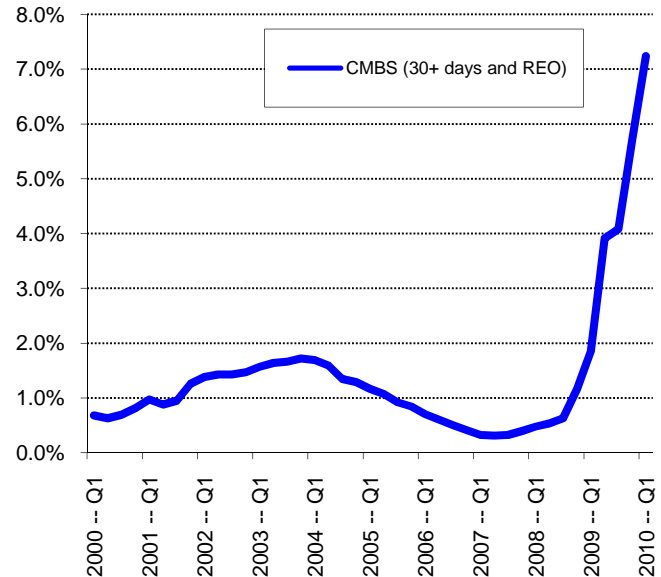
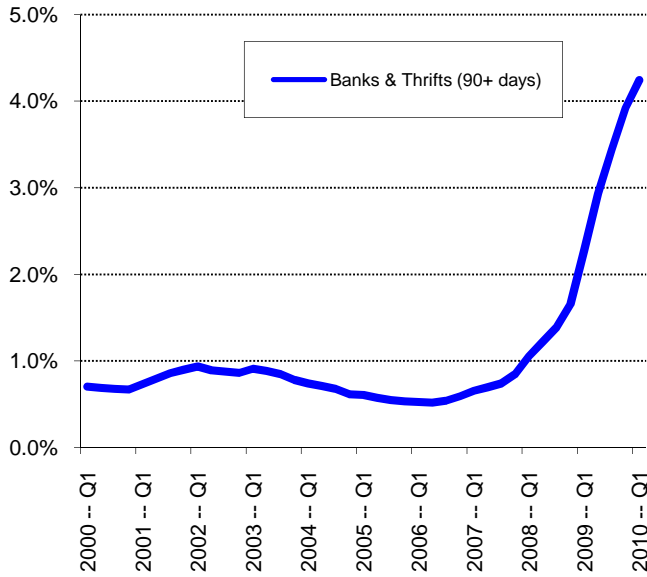
Sources: Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

## CHART 2. COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES AMONG MAJOR INVESTOR GROUPS, 2000 - PRESENT



### Selected delinquency rates at the end of the period

NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.



Sources: Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

## COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES AMONG MAJOR INVESTOR GROUPS



Selected delinquency rates at the end of the period

NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.

	CMBS (30+ days and REO)	Life Companies (60+ days)	Fannie Mae* (60+ days)	Freddie Mac^ (60+days)^	Banks & Thriffs (90+ days)
<b>Year-end</b>					
1996 -- Q4	n.a.	1.79%	0.68%	1.96%	1.63%
1997 -- Q4	0.39%	0.90%	0.37%	0.96%	1.19%
1998 -- Q4	0.54%	0.48%	0.29%	0.37%	0.93%
1999 -- Q4	0.51%	0.25%	0.12%	0.14%	0.71%
2000 -- Q4	0.81%	0.28%	0.04%	0.04%	0.67%
2001 -- Q4	1.26%	0.12%	0.33%	0.15%	0.90%
2002 -- Q4	1.47%	0.28%	0.13%	0.13%	0.86%
2003 -- Q4	1.72%	0.12%	0.13%	0.05%	0.78%
2004 -- Q4	1.29%	0.08%	0.10%	0.06%	0.62%
2005 -- Q4	0.84%	0.05%	0.27%	0.00%	0.53%
2006 -- Q4	0.41%	0.02%	0.08%	0.05%	0.59%
2007 -- Q4	0.39%	0.01%	0.08%	0.02%	0.85%
2008 -- Q4	1.17%	0.07%	0.30%	0.01%	1.66%
2009 -- Q4	5.70%	0.19%	0.63%	0.19%	3.92%
<b>Quarter-end</b>					
2007 -- Q1	0.33%	0.03%	0.09%	0.06%	0.65%
2007 -- Q2	0.31%	0.01%	0.09%	0.05%	0.70%
2007 -- Q3	0.33%	0.03%	0.08%	0.06%	0.74%
2007 -- Q4	0.39%	0.01%	0.08%	0.02%	0.85%
2008 -- Q1	0.48%	0.01%	0.09%	0.04%	1.05%
2008 -- Q2	0.53%	0.03%	0.11%	0.04%	1.22%
2008 -- Q3	0.63%	0.06%	0.16%	0.05%	1.39%
2008 -- Q4	1.17%	0.07%	0.30%	0.08%	1.66%
2009 -- Q1	1.86%	0.12%	0.34%	0.12%	2.28%
2009 -- Q2	3.91%	0.15%	0.51%	0.15%	2.93%
2009 -- Q3	4.08%	0.23%	0.62%	0.15%	3.44%
2009 -- Q4	5.70%	0.19%	0.63%	0.19%	3.92%
2010 -- Q1	7.24%	0.31%	0.79%	0.24%	4.24%

Sources: Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation.

**^ In May 2010, Freddie Mac returned to reporting multifamily delinquencies as those loans 60+ days delinquent.** Data are available for life companies, FDIC-insured banks and thrifts, Fannie Mae and Freddie Mac since 1990 and CMBS since 1997. \*December figures are not available from Fannie Mae for the years 2000 to 2004. Figures for November are used instead.

## APPENDIX A

### SOURCES & MEASURES OF DELINQUENCIES

#### ***Commercial Mortgage-backed Securities (CMBS)***

Source: Wachovia Capital Markets, LLC and Intex Solutions, Inc.

The delinquency rate for CMBS loans covers loans 30+ days delinquent, including those in foreclosure, and real estate owned (REO). The CMBS rate is the only one to include REO in either the numerator or the denominator. This series includes all private-label (non-Ginnie Mae, Fannie Mae or Freddie Mac issued) deals that are currently outstanding, including both fixed- and floating-rate deals.

#### ***Life Companies***

Source: American Council of Life Insurers

The delinquency rate for life insurance company loans covers loans 60+ days delinquent, including those in foreclosure, and does not include real estate owned (REO) in either the numerator or the denominator.

#### ***Fannie Mae***

Source: Fannie Mae Monthly Volume Summary and Office of Federal Housing Enterprise Oversight Annual Reports to Congress

The delinquency rate for multifamily loans either held in portfolio or securitized and guaranteed by the company covers loans 60+ days delinquent, including those in foreclosure, and does not include real estate owned (REO) in either the numerator or the denominator. The company was unable to provide December delinquency figures for the years 2000 to 2004, so the fourth quarter numbers presented for those years are November, rather December, figures.

#### ***Freddie Mac***

Source: Freddie Mac Monthly Volume Summary and Office of Federal Housing Enterprise Oversight Annual Reports to Congress

The delinquency rate for multifamily loans either held in portfolio or securitized and guaranteed by the company covers loans 60+ days delinquent, including those in foreclosure, and does not include real estate owned (REO) in either the numerator or the denominator. Freddie Mac notes that their delinquency rate “[e]xcludes mortgage loans whose original contractual terms have been modified under an agreement with the borrower as long as the borrower complies with the modified contractual terms.” As an example, after Hurricane Katrina, Freddie Mac modified a number of loans affected by the storms.

#### ***FDIC-insured Banks & Thrifts***

Source: Federal Deposit Insurance Corporation

The delinquency rate for FDIC banks and thrifts covers loans 90+ days delinquent, including those in foreclosure and in non-accrual status, and does not include real estate owned (REO) in either the numerator or the denominator. The universe of loans covered by this series also includes a large number of “owner-occupied” commercial loans – loans supported by the income of the resident business rather than by rent and lease payments. In a 2007 analysis by MBA of the ten banks with the largest commercial mortgage portfolios, approximately half, in dollar volume, of their commercial (non-multifamily) loan portfolio was comprised of these “owner-occupied” properties.



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Member \$75/nonmember \$100

**2009 Commercial/Multifamily Loan Maturity Volumes**

Member \$50/nonmember \$100

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