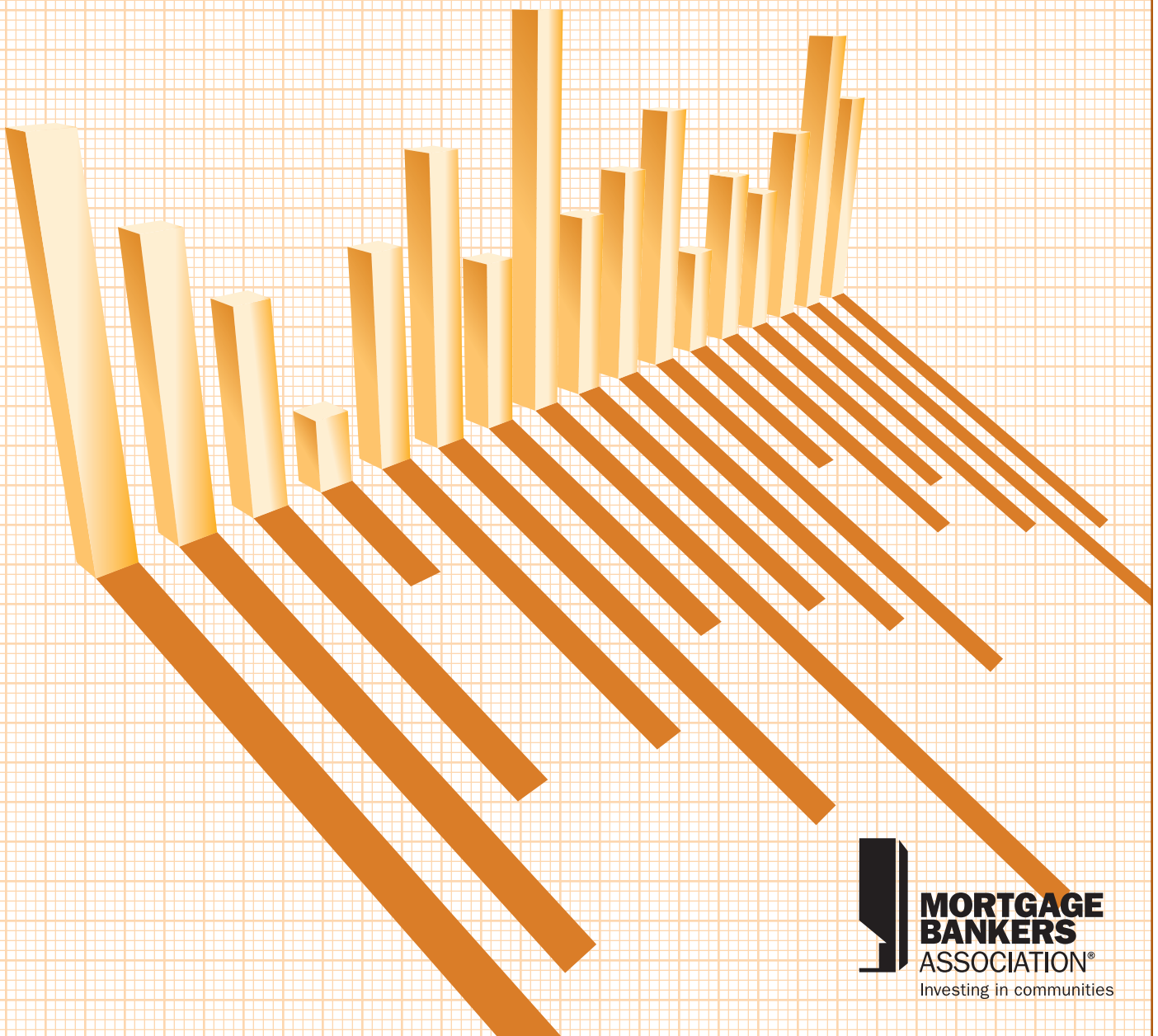


# Q3 2008

MBA COMMERCIAL/MULTIFAMILY

# MORTGAGE DELINQUENCY RATES

FOR MAJOR INVESTOR GROUPS



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# COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS



# Commercial/Multifamily Mortgage Delinquencies

## *Credit Markets and Economy Add Pressure to Commercial Mortgage Performance*

Third Quarter 2008

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Delinquency rates continued to tick up in the third quarter for most commercial/multifamily mortgage investor groups, but remained at the lower end of their historical ranges, according to the third quarter Commercial/Multifamily Delinquency Report from the Mortgage Bankers Association (MBA).

"The frozen credit markets and deteriorating economic conditions are placing increased pressure on the performance of commercial and multifamily mortgages," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "Commercial/multifamily mortgages have not seen the same kind of deterioration in performance we have witnessed among other real estate loans, and at the end of the third quarter, delinquency rates for every investor group remained at the lower end of their historical ranges. That being said, delinquency rates for nearly every investor group did see increases during the third quarter, and economic and credit market stress is likely to continue that trend."

Between the second and third quarters, the 30+ day delinquency rate on loans held in commercial mortgage-backed securities (CMBS) rose 0.10 percentage points to 0.63 percent. The 60+ day delinquency rate on loans held in life company portfolios rose 0.03 percentage points to 0.06 percent. The 60+ day delinquency rate on multifamily loans held or insured by Fannie Mae rose 0.05 percentage points to 0.16 percent. The 60+ day delinquency rate on multifamily loans held or insured by Freddie Mac fell 0.02 percentage points to 0.01 percent. The 90+day delinquency rate on loans held by FDIC-insured banks and

thrifts rose 0.20 percentage points to 1.38 percent.

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 second quarter were as follows:

- CMBS: 0.63 percent (30+ days delinquent or in REO);
- Life company portfolios: 0.06 percent (60+days delinquent);
- Fannie Mae: 0.16 percent (60 or more days delinquent)
- Freddie Mac: 0.01 percent (60 or more days delinquent);
- Banks and thrifts: 1.38 percent (90 or more days delinquent or in non-accrual).

To put these numbers in context, of 35,135 commercial/multifamily loans in life company portfolios, with a total unpaid principal balance of \$253 billion, only 36 loans with an aggregate UPB of less than \$144 million were 60+ days delinquent at

the end of the quarter. Of \$1.2 trillion of commercial/multifamily mortgages at FDIC-insured banks and thrifts, only \$18 billion was 90+ days delinquent.

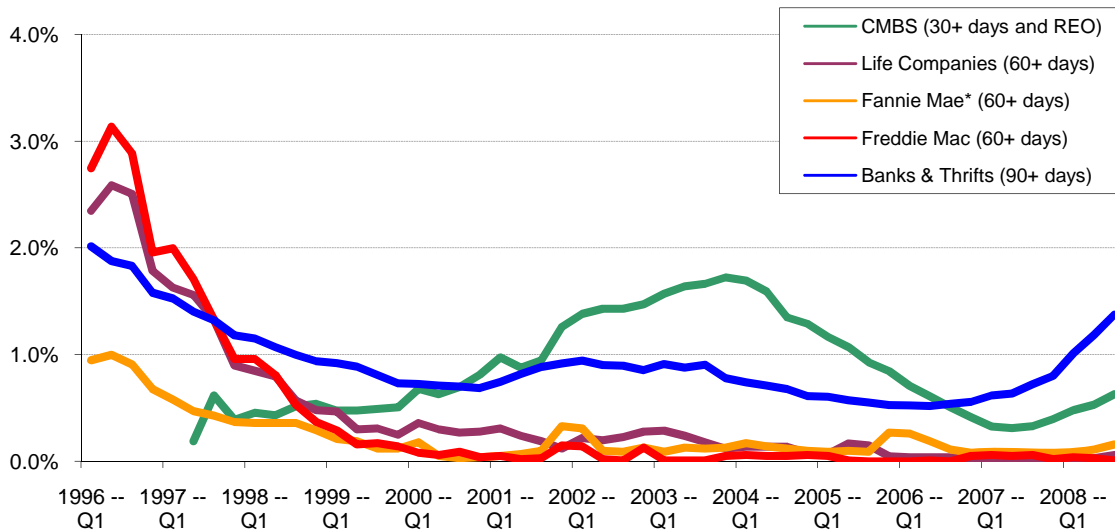
Differences between the delinquency measures are detailed in Appendix A.

# 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.



## CHART 2. Latest Delinquency Rates and Range Since 1996



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

Data are available for life companies, FDIC-insured banks and thrifts, Fannie Mae and Freddie Mac since 1996 and CMBS since 1997. \*December figures are not available from Fannie Mae for the years 2000 to 2004. Figures for November are used instead.

**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.

	<b>CMBS</b> (30+ days and REO)	<b>Life Companies</b> (60+ days)	<b>Fannie Mae*</b> (60+ days)	<b>Freddie Mac</b> (60+ days)	<b>Banks &amp; Thrifts</b> (90+ days)
<b>Year-end</b>					
1996 -- Q4	n.a.	1.79%	0.68%	1.96%	1.58%
1997 -- Q4	0.39%	0.90%	0.37%	0.96%	1.18%
1998 -- Q4	0.54%	0.48%	0.29%	0.37%	0.94%
1999 -- Q4	0.51%	0.25%	0.12%	0.14%	0.73%
2000 -- Q4	0.81%	0.28%	0.04%	0.04%	0.69%
2001 -- Q4	1.26%	0.12%	0.33%	0.15%	0.92%
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%	0.61%
2005 -- Q4	0.85%	0.05%	0.27%	0.00%	0.53%
2006 -- Q4	0.41%	0.02%	0.08%	0.05%	0.56%
2007 -- Q4	0.40%	0.01%	0.08%	0.02%	0.80%
<b>Quarter-end</b>					
2006 -- Q1	0.71%	0.04%	0.26%	0.00%	0.52%
2006 -- Q2	0.61%	0.04%	0.19%	0.01%	0.52%
2006 -- Q3	0.51%	0.04%	0.11%	0.00%	0.54%
2006 -- Q4	0.41%	0.02%	0.08%	0.05%	0.56%
2007 -- Q1	0.33%	0.03%	0.09%	0.06%	0.62%
2007 -- Q2	0.31%	0.01%	0.09%	0.05%	0.64%
2007 -- Q3	0.33%	0.03%	0.08%	0.06%	0.72%
2007 -- Q4	0.40%	0.01%	0.08%	0.02%	0.80%
2008 -- Q1	0.48%	0.01%	0.09%	0.04%	1.01%
2008 -- Q2	0.53%	0.03%	0.11%	0.03%	1.18%
2008 -- Q3	0.63%	0.06%	0.16%	0.01%	1.38%

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

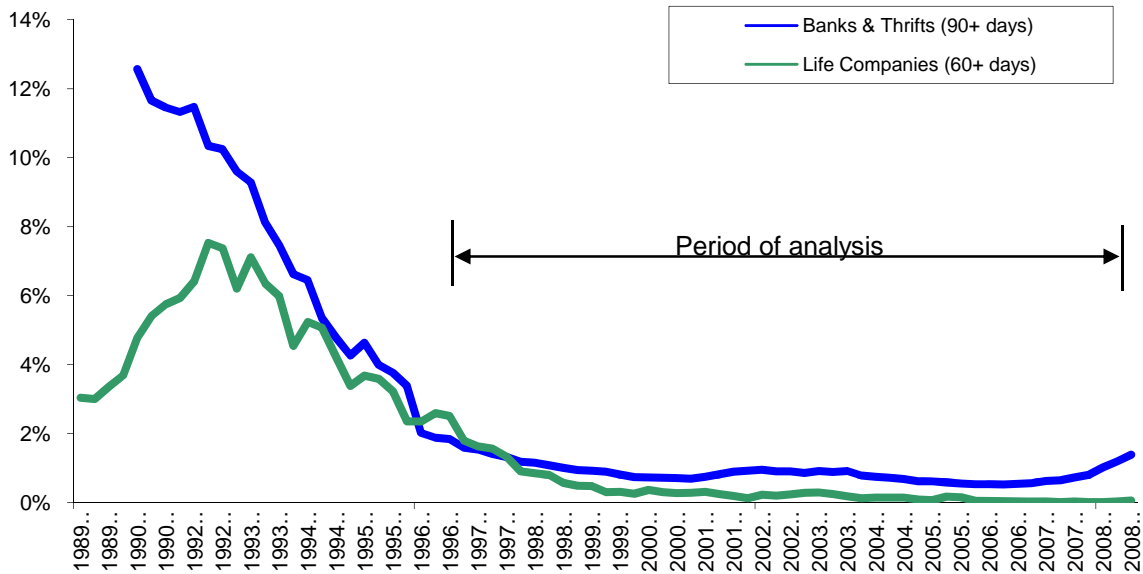
Data are available for life companies, FDIC-insured banks and thrifts, Fannie Mae and Freddie Mac since 1996 and CMBS since 1997. \*December figures are not available from Fannie Mae for the years 2000 to 2004. Figures for November are used instead.

**CHART 3. COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES AMONG BANKS AND LIFE COMPANIES**



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: American Council of Life Insurers, Federal Deposit Insurance Corporation and Federal Reserve Board

Note: Prior to 1996 commercial bank & thrift figures are for commercial banks only and also include construction and land development loans.



## 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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