

#### MBA COMMERCIAL REAL ESTATE/MULTIFAMILY FINANCE

# MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS

Q3 2012



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### Commercial/Multifamily Mortgage Delinquencies

Commercial/Multifamily Mortgage Delinquency Rates Down in Third Quarter
Third Quarter 2012

Delinquency rates decreased for commercial and multifamily mortgage loans in the third quarter, according to the Mortgage Bankers Association's (MBA) Commercial/Multifamily Delinquency Report.

"Commercial and multifamily mortgage delinquency rates for loans held by life companies, Fannie Mae and Freddie Mac all extremely low," said remain Jamie Woodwell. MBA's Vice President of Commercial Real Estate Research. "The delinquency rate on bank-held loans is at its lowest level since the beginning of 2009 and the delinquency rate for loans held in commercial mortgage-backed (CMBS) - while still elevated - continues to stabilize. If one removes the CMBS loans that are in foreclosure or REO, that delinquency rate is at its lowest since late 2009."

During the third guarter of 2012, the 60+ day delinquency rate for commercial and multifamily mortgages held in life company portfolios decreased 0.03 percentage points to 0.12 percent. The 60+ day delinquency rate for multifamily loans held or insured by Fannie Mae decreased 0.01 percentage The 90+ day points to 0.28 percent. delinquency rate for loans held by FDICinsured banks and thrifts decreased 0.18 percentage points to 2.93 percent. The 30+ day delinquency rate for loans held in commercial mortgage-backed securities (CMBS) decreased 0.11 percentage points to 8.86 percent. The 60+ day delinquency rate for multifamily loans held or insured by Freddie Mac remained the same at 0.27 percent.

The third quarter 2012 delinquency rate for commercial and multifamily mortgages held in life insurance company portfolios was 7.41 percentage points lower than the series high (7.53 percent, reached during the second quarter of 1992). delinquency rate for multifamily loans held by Freddie Mac was 6.54 percentage points lower than the series high (6.81 percent, reached in the fourth quarter of 1992). The delinquency rate for multifamily loans held by Fannie Mae was 3.34 percentage points below the series high (3.62 percent, reached during the fourth quarter of 1991). The rate for commercial and multifamily mortgages held by banks and thrifts was 3.65 percentage points lower than the series high (6.58 percent, reached in the second quarter of 1991). The rate for loans held in CMBS was 0.16 percentage points below the series high (9.02 percent, reached in the second guarter of 2011).

Please note: In March 2012, MBA released a DataNote covering the performance of commercial and multifamily mortgages at commercial banks and thrifts over the entire The DataNote found that year 2011. commercial and multifamily mortgages had the lowest charge-off rates of any major loan type and had delinquency rates lower than the overall book of loans and leases held by banks and thrifts. The DataNote found can be at: www.mortgagebankers.org/research.

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 FDIC delinquency rates for bank and thrift held mortgages reported

here do include loans backed by owneroccupied commercial 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 than 80 percent more of debt commercial/multifamily mortgage 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 (UPB) of loans, delinquency rates for each group at the end of the third quarter were as follows:

- Life company portfolios: 0.12 percent (60 or more delinquent);
- Freddie Mac: 0.27 percent (60 or more days delinguent);
- Fannie Mae: 0.28 percent (60 or more days delinquent);
- Banks and thrifts: 2.93 percent (90 or more days delinquent or in nonaccrual);
- CMBS: 8.86 percent (30 or more days delinquent or in REO).

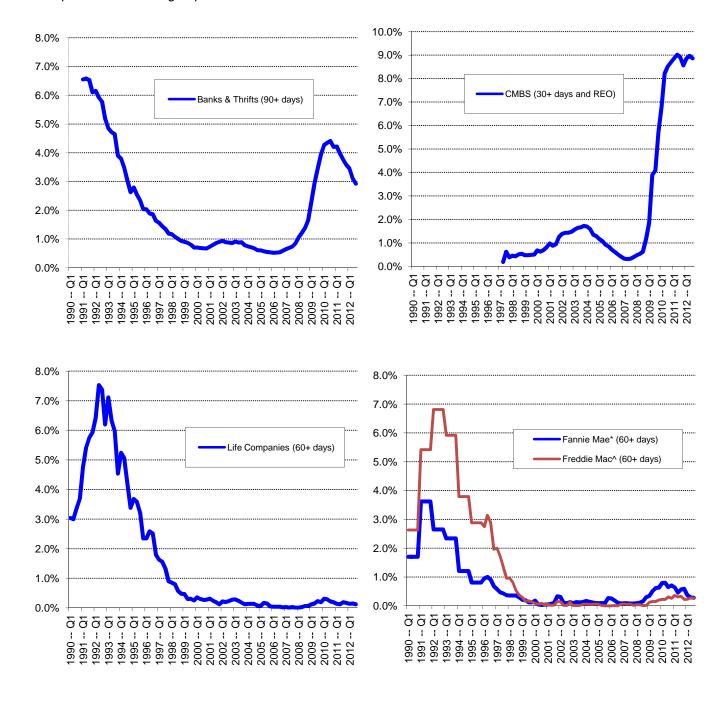
Differences between the delinquency measures are detailed in Appendix A.

# 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.



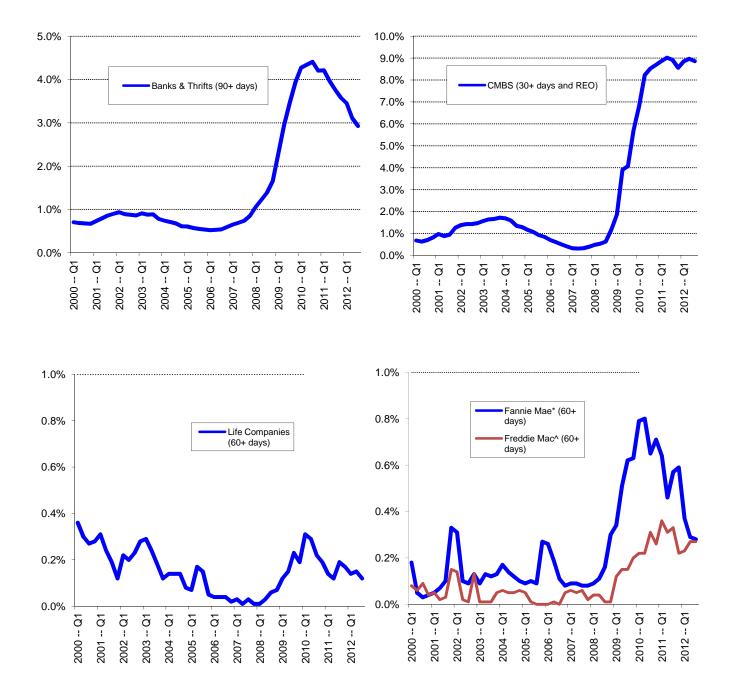
Sources: Wells Fargo Securities, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

# 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: Wells Fargo Securities, 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.

		Life			Banks &
	CMBS	Companies	Fannie Mae	Freddie Mac	Thrifts
	(30+ days and	•			
	REO)	(60+ days)	(60+ days)	(60+days)	(90+ days)
Year-end					
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%	0.61%
2005 Q4	0.84%	0.05%	0.27%	0.00%	0.54%
2006 Q4	0.41%	0.02%	0.08%	0.05%	0.60%
2007 Q4	0.39%	0.01%	0.08%	0.02%	0.85%
2008 Q4	1.17%	0.07%	0.30%	0.01%	1.65%
2009 Q4	5.70%	0.19%	0.63%	0.20%	3.94%
2010 Q4	8.69%	0.19%	0.71%	0.26%	4.21%
2011 Q4	8.56%	0.17%	0.59%	0.22%	3.58%
Quarter-end					
2009 Q3	4.07%	0.23%	0.62%	0.15%	3.46%
2009 Q4	5.70%	0.19%	0.63%	0.20%	3.94%
2010 Q1	6.81%	0.31%	0.79%	0.22%	4.27%
2010 Q2	8.22%	0.29%	0.80%	0.22%	4.34%
2010 Q3	8.52%	0.22%	0.65%	0.31%	4.41%
2010 Q4	8.69%	0.19%	0.71%	0.26%	4.21%
2011 Q1	8.86%	0.14%	0.64%	0.36%	4.21%
2011 Q2	9.02%	0.12%	0.46%	0.31%	3.97%
2011 Q3	8.92%	0.19%	0.57%	0.33%	3.76%
2011 Q4	8.56%	0.17%	0.59%	0.22%	3.58%
2012 Q1	8.85%	0.14%	0.37%	0.23%	3.45%
2012 Q2	8.97%	0.15%	0.29%	0.27%	3.11%
2012 Q3	8.86%	0.12%	0.28%	0.27%	2.93%

Sources: Wells Fargo Securities, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation.

Note: Differences between the delinquency measures are detailed in Appendix A.

#### APPENDIX A

## SOURCES & MEASURES OF DELINQUENCIES

# Commercial Mortgage-backed Securities (CMBS)

Source: Wells Fargo Securities, 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. In reports released prior to Q3 2011, this series included only deals issued prior to 2009. Beginning with the Q3 2011 release all deals are included regardless of issue date.

#### 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. In January 2011, Fannie Mae revised its 2010 monthly multifamily delinquency rates for all periods presented to exclude multifamily borrowers who have entered

into a forbearance agreement and are abiding by the terms of the agreement, but had been previously included in the multifamily delinquency rates due to an error.

#### 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. In May 2010, Freddie Mac returned to reporting multifamily delinquencies as those loans 60+ days delinguent.

#### 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 nonaccrual 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 mortgage commercial approximately half, in dollar volume, of their commercial (non-multifamily) loan portfolio was comprised of these "owneroccupied" properties.

Data are available for life companies, FDIC-insured banks and thirfts, Fannie Mae and

Freddie Mac since 1990 and CMBS since 1997.



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