



MBA COMMERCIAL REAL ESTATE/MULTIFAMILY FINANCE

MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS

Q4 2010



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Commercial/Multifamily Mortgage Delinquencies

Commercial and Multifamily Mortgage Delinquency Rates Remain Low for Life Companies, Fannie and Freddie; Fall for Banks/Thriffs; Rise Slightly for CMBS in Fourth Quarter
Fourth Quarter 2010

During the fourth quarter of 2010, commercial and multifamily mortgage delinquency rates remained low for life insurance companies, Fannie Mae and Freddie Mac; fell for banks and thrifts for the first time since the 2006 and rose slightly for loans held in commercial mortgage backed securities (CMBS), 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 last major real estate downturn during the early 1990's, some by large margins.

"The recession's downward pull on commercial and multifamily mortgage performance has slackened," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "The delinquency rates for commercial and multifamily mortgages at banks and thrifts appear to have peaked at levels well below those of the last recession, and the performance of loans held by life companies, Fannie Mae and Freddie Mac has been relatively strong throughout the downturn. The CMBS market has continued to see elevated levels of stress – although the rate of increase has moderated and some technical issues make a direct comparison of CMBS to other investor groups tricky."

Between the third and fourth quarters of 2010, the 90+ day delinquency rate on loans held by FDIC-insured banks and thrifts decreased 0.22 percentage points to 4.19 percent – the first decrease since the

first quarter of 2006. The 30+ day delinquency rate on loans held in commercial mortgage-backed securities (CMBS) increased 0.37 percentage points to 8.95 percent. The 60+ day delinquency rate on loans held in life company portfolios decreased 0.03 percentage points to 0.19 percent. The 60+ day delinquency rate on multifamily loans held or insured by Fannie Mae increased 0.06 percentage points to 0.71 percent. The 60+ day delinquency rate on multifamily loans held or insured by Freddie Mac decreased 0.04 percentage points to 0.31 percent.

The fourth quarter 2010 delinquency rate for commercial and multifamily mortgages held by banks and thrifts was 2.39 percentage points lower than the series high (of 6.58 percent reached in the second quarter of 1991). The rate for loans held in CMBS was a record high for the series. The delinquency rate for commercial and multifamily mortgages held in life insurance company portfolios was 7.18 percentage points lower than the series high (of 7.37 percent reached during the fourth quarter of 1993); the rate for multifamily loans held by Fannie Mae rate was 2.91 percentage points below the series high of 3.62 percent (reached during the fourth quarter of 1991); and the rate for multifamily loans held by Freddie Mac was 6.50 percentage points lower than the series high (of 6.81 percent reached in 1992).

Please note: Today MBA also released a DataNote covering the performance of commercial and multifamily mortgages at commercial banks and thrifts over the entire year 2010. The DataNote found that 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 can be found at: www.mortgagebankers.org/researchandforecasts

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 banks and thrifts reported here do include loans backed by owner-occupied 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 more than 85 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 fourth quarter were as follows:

- CMBS: 8.95 percent (30+ days delinquent or in REO);
- Life company portfolios: 0.19 percent (60+days delinquent);
- Fannie Mae: 0.71 percent (60 or more days delinquent)
- Freddie Mac: 0.31 percent (60 or more days delinquent);

- Banks and thrifts: 4.19 percent (90 or more days delinquent or in non-accrual).

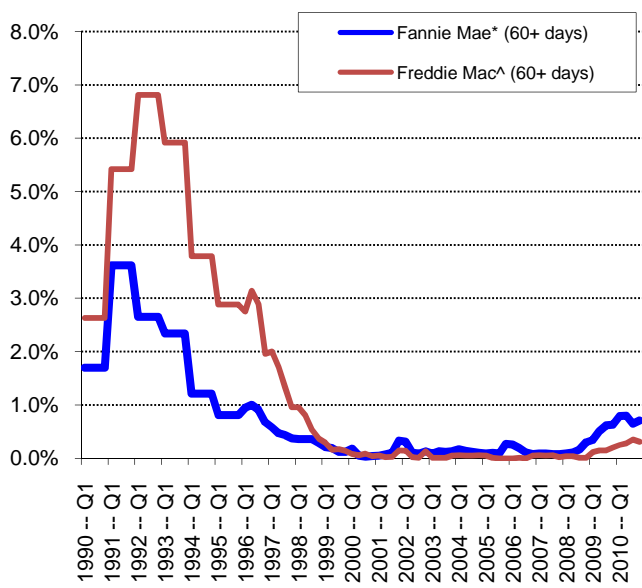
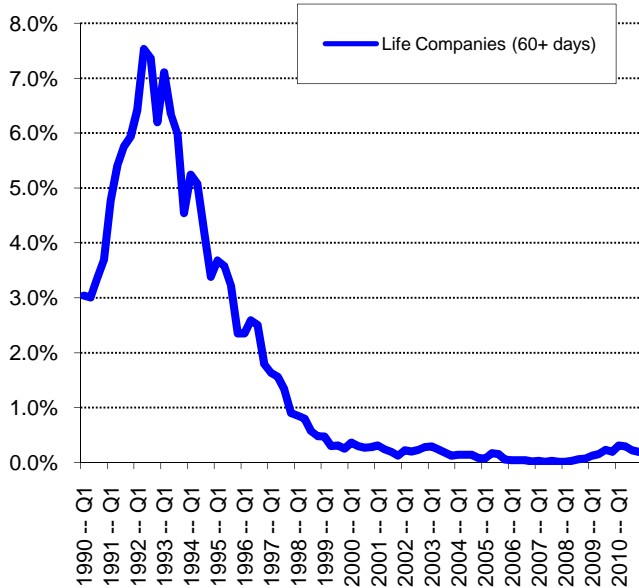
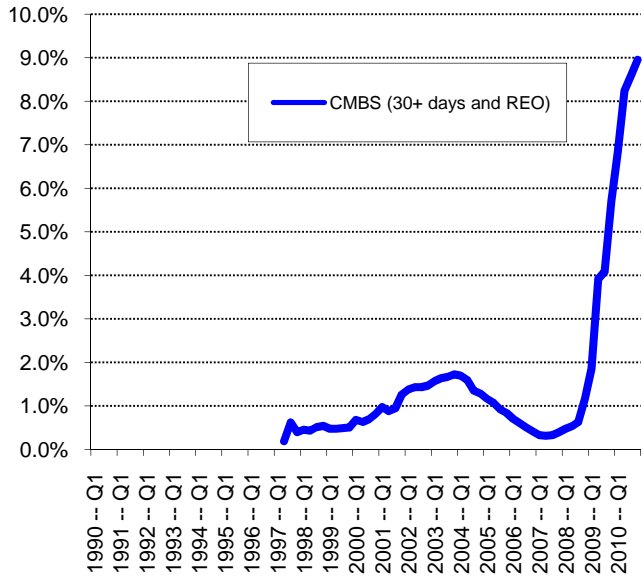
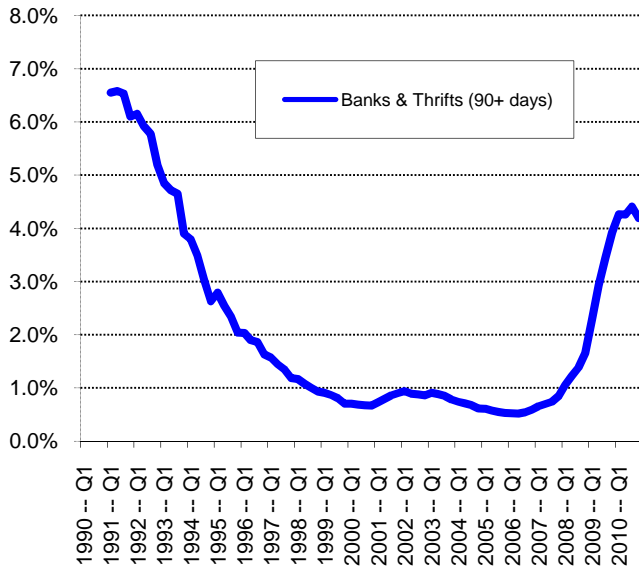
Differences between the delinquency measures are detailed in Appendix A.

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.



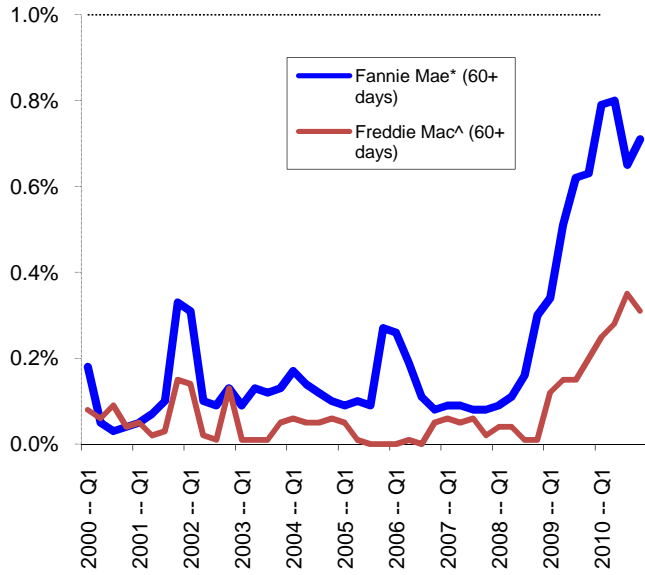
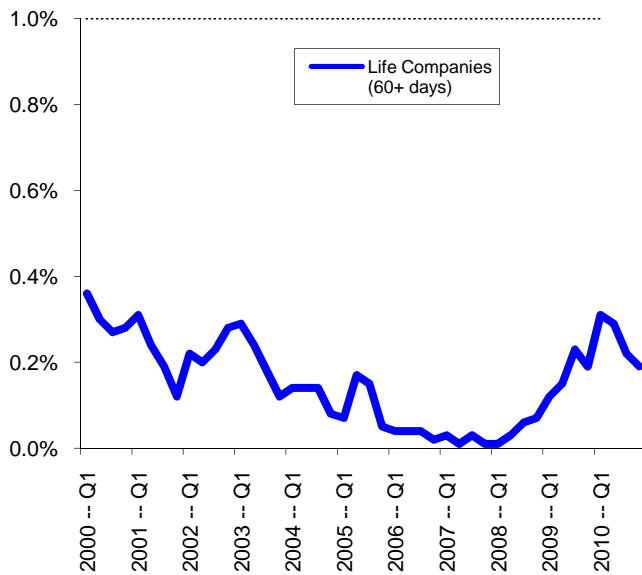
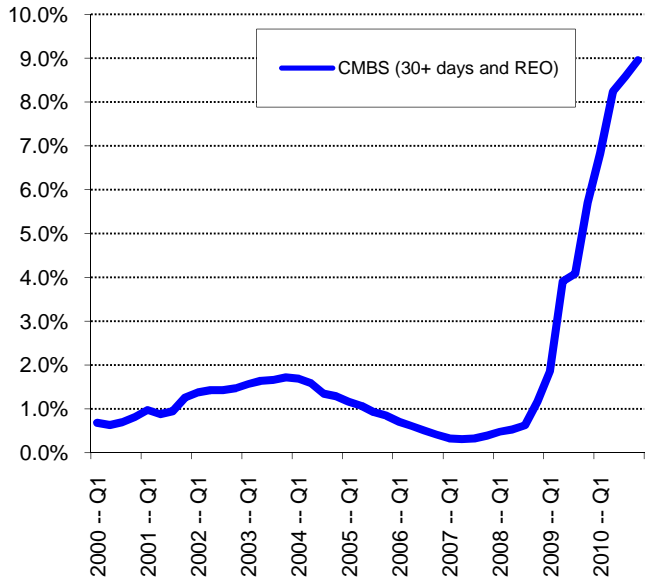
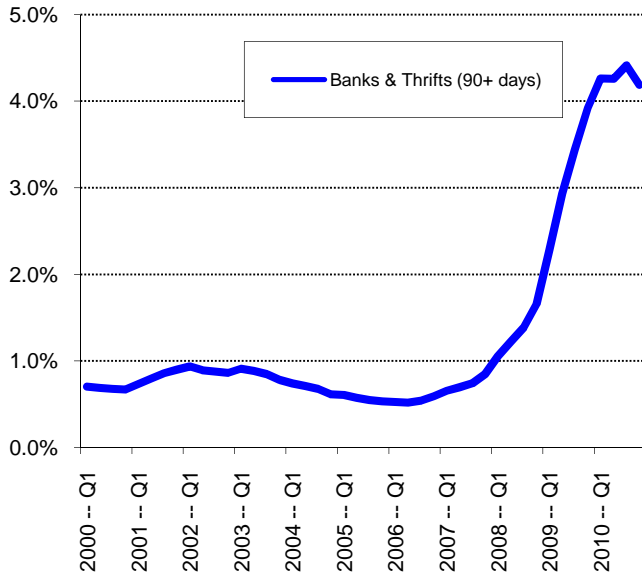
Sources: Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

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)
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%	0.62%
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%	0.20%	3.92%
2010 -- Q4	8.95%	0.19%	0.71%	0.31%	4.19%
Quarter-end					
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%	0.20%	3.92%
2010 -- Q1	6.83%	0.31%	0.79%	0.25%	4.26%
2010 -- Q2	8.24%	0.29%	0.80%	0.28%	4.26%
2010 -- Q3	8.58%	0.22%	0.65%	0.35%	4.41%
2010 -- Q4	8.95%	0.19%	0.71%	0.31%	4.19%

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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