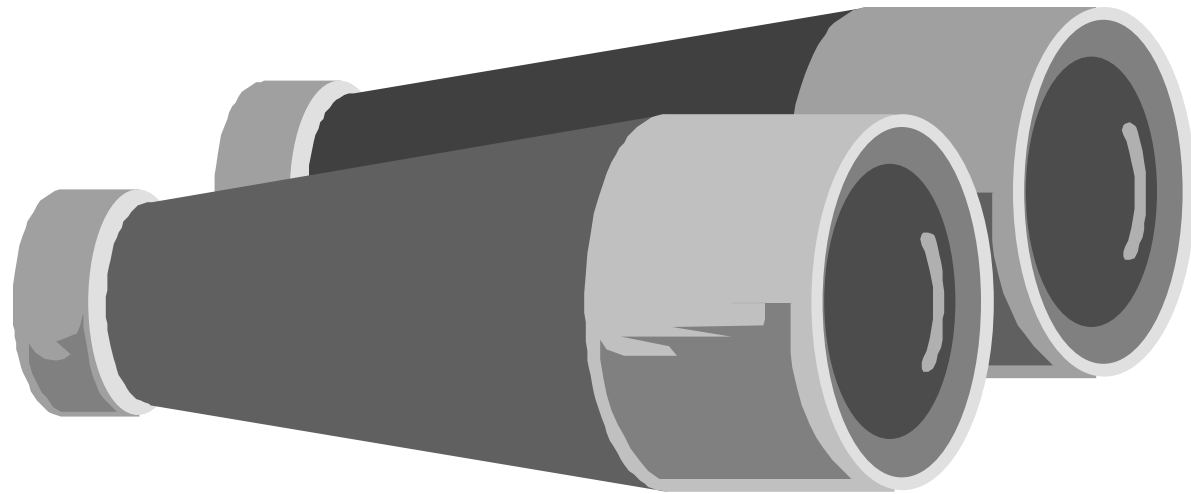


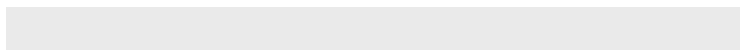
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MBA
Commercial and Multifamily Mortgage Administration

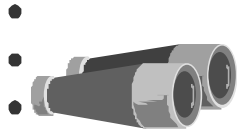
Watch List Update



June 20, 2001



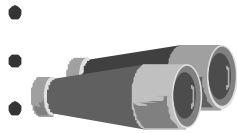
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Watch List Development

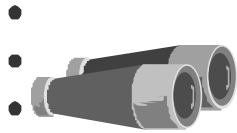
- **The Beginning**
- **Sub-Committee Progress**
- **Future Actions**





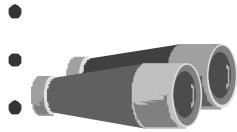
Watch List - The Beginning

- **Joint effort between MBA & CMSA to establish an industry standard for identifying watch list loans**
- **Jointly developed 24 criteria that cover the following characteristics of a loan**
 - **Financial conditions**
 - **Borrower issues**
 - **Property conditions**
 - **Lease rollover, tenant issues, & vacancy**
 - **Loan Maturity**
- **Two sub-committees created to represent different constituents within the commercial mortgage lending arena**
 - **CMBS market**
 - **Portfolio lenders**



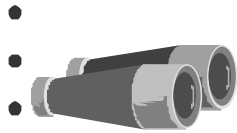
Why 2 Sub-committees ??????

- **Portfolio Lenders**
 - **Sensitivity to movements on and off a watch list**
 - **Closer scrutinization and pressure to establish reserves - direct financial statement impact**
 - **More intimate with their portfolio and the “stories” behind the numbers**
 - **In general, more judgement invoked**



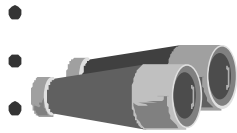
Why 2 Sub-committees ??????

- **CMBS**
 - **Handle larger volumes of loans**
 - **Need systematic approach to identify watch list loans**
 - **Pressures from “B” piece buyers to identify early warning signs**



Sub-committee Progress

- **Goal to identify specific triggers for each of the 24 criteria that would place a loan on or off the Watch List**
- **Two groups worked independently**
- **Process started for both groups March 2001**
- **Draft guidelines completed by both groups June 2001**
- **Distribution of guidelines among the two sub-committees**



Future Actions

- **Final documentation of sub-committee efforts**
- **Make the two versions of the Watch list available for an exposure period to solicit comments from the industry**
- **Attempt to merge the CMBS and Portfolio Lender versions of the Watch List**

OR

- **Maintain two separate Watch Lists to reflect their differences**
- **Develop definitions, instructions, and guidance on purpose & use of the Watch List**

