MBA hosted a webinar Friday, March 27th with commercial real estate finance industry leaders. The second of a bi-monthly series on COVID-19 impacts on the industry with speakers including:

**Brian Hanson**, Managing Director, CWCapital  
**John Lippmann**, Head of Structuring, New York Life Real Estate Investors  
**Stacey Ackermann**, Partner, K & L Gates  
**Alan Kronovet**, Executive Vice President, Head of Commercial Mortgage Servicing, Wells Fargo  
**Alan Williams**, Senior Vice President, KeyBank Real Estate Capital

**Policy and Macroeconomic Considerations**

Mike Flood provided a policy update highlighting the passing of the [CARES Act](https://www.congress.gov/bill/116th-congress/house-bill/2), emergency actions taken by the Federal Reserve (see below) and MBA’s continued advocacy for items that remain unaddressed in the commercial real estate finance ecosystem. The Fed stimulus has had significant impacts, but the market has remained choppy and some asset types – CMBS and CRE CLOs – have not benefited from direct support.

Recent Fed actions:
- Dropped Fed Funds rate to 0  
- Dropped bank reserve requirements  
- Loosened bank liquidity constraints  
- Increased purchases of Treasuries and MBS (including Agency MF MBS)  
- Instituted a Commercial Paper Facility  
- Instituted a Primary Dealer Credit Facility  
- Instituted a Money Market Liquidity Facility  
- Instituted TALF 2.0 to provide loans backed by certain asset-backed securities

Jamie Woodwell set the stage for member conversation outlining economic, market and CRE finance perspective, some of which can be found in his blog, “[Commercial Real Estate Finance in a World of Uncertainty: Where are we now?](https://www.mba.org/blog/commercial-real-estate-finance-in-a-world-of-uncertainty-where-are-we-now)”

Last week, 3.3 million people filed for unemployment. For comparison, two weeks ago fewer than 300k people filed for unemployment. During the Great Financial Crisis, the
weekly claims peaked at just below 700,000. To put that in perspective, 159 million people were employed in the US in February so 2% of that group filed for unemployment claims last week alone.

Similar to volatile equity and treasury markets, credit spreads for CMBS and other assets have been highly stressed leading to some margin calls and forced selling of assets, which has exacerbated price declines for some assets and market illiquidity. The last couple of days – in line with some improvement in equity markets – we’ve seen AAA CMBS spreads tightening somewhat with lower-rated bonds remaining wide.

**Commercial Real Estate Finance**

Looking at the CRE finance markets, this week we are beginning to hear a shift in tone from how the downturn will affect new business to how it will affect existing properties. Looking across all property types, a recent survey by the Pension Real Estate Association (PREA) shows uncertainty beginning to work into the gears of the commercial real estate investment process. There is growing uncertainty about how to value properties, driven both by how property incomes and expenses may be affected as well as how investors should value those incomes. That uncertainty is leading many firms (75% of those surveyed) to pause plans to deploy capital.

Mike Flood then moderated a panel conversation on what’s happening in member’s businesses and how they are approaching another historic week for markets and the global economy.

Below are a few key takeaways:

-While some capital sources continue to close loans in their pipeline, the ability to underwrite new transactions is a challenge with conservative terms and selectivity being drivers of the ability to execute. The details and implications of the legislative and central bank stabilization efforts are front and center for their ability to create liquidity and address current economic challenges. Syndications have become challenging and portfolio management is capturing an increasing amount of attention.

-Lenders are busy dealing with portfolio ramifications of businesses shutting down and people needing to stay home. Whether through in-house portfolio management staff or
master servicers for agency and private-label securitization mortgage loans, the number of relief requests coming in over the past several weeks to a workforce newly adjusting to work from home conditions is enormous and historic. It is a trying time for servicing community; however, it benefits from post-2008 crisis lessons learned.

While there are a number of forbearance requests and other activities anticipated or in process today, special servicers albeit with reduced staffs declined along with lower special servicing volumes remain well positioned to handle their roles and responsibilities given the experience of their operations and senior management as well as the depth of their existing lending operations. In particular, there are stronger relationships amongst different servicing parties interacting on loan portfolios including more frequent discussions on collateral developments and improved transparency.

The borrower experience as well as everyone’s health and safety are primary concerns for the lending community. Servicers are sensitive to this unprecedented situation which is not localized but occurring across different markets and note that effective communication is important to overcoming some inevitable challenges. Handling requests and forbearance will inevitably be a different process and program depending on capital source.

The need for staying at home and social distancing makes some day to day loan and asset management tasks difficult if not impossible to perform. The ability to work through these tasks for items such as property inspections and appraisals may require creativity and ingenuity. How parties are able to accomplish these tasks or unable to do so is evolving and must be looked at on a case-by-case basis with people’s health and safety prioritized.

MBA will continue to facilitate dialogue and share relevant information and research as events unfold. We are active on the policy front as well as actively communicating with members to ensure we are providing strong intelligence and advocacy for the real estate finance industry in uncertain times. Be sure to join us April 10th for a discussion about the CARES ACT and the implications for MBA’s CREF members.

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