

MLDRQ 2020

COMMERCIAL / MULTIFAMILY MORTGAGE DELINQUENCY RATES FOR MAJOR INVESTOR GROUPS | Q2 2020

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COMMERCIAL/MULTIFAMILY
**MORTGAGE DELINQUENCY
RATES FOR MAJOR INVESTOR
GROUPS | Q2 2020**

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Commercial/Multifamily Mortgage Delinquencies

Commercial and Multifamily Mortgage Delinquencies Increase Significantly in Second Quarter Second Quarter 2020

Commercial and multifamily mortgage delinquencies increased in the second quarter of 2020, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Delinquency Report.

"Based on data from MBA's new Commercial Real Estate Finance (CREF) Loan Performance survey, we know that the COVID pandemic had a dramatic and immediate impact on lodging and retail properties, which has flowed through to the mortgages backed by those properties," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "Delinquency rates for loans backed by those properties spiked in April and May. While they have since stabilized, and even declined slightly in July and August for hotel-backed loans, delinquency rates for both hotel and retail properties remain elevated. It is important to note that the vast majority of the balance of loans backed by other major property types continues to perform well."

Woodwell continued, "The property-specific differences flow through to the major capital sources. The commercial mortgage-backed securities (CMBS) market, which has the greatest reliance on hotel and retail loans of any of the major capital sources, has seen delinquency rates rise to record highs. Delinquency rates for other capital source have also increased, but not to the same degree and at the end of the second quarter remain closer to all-time lows than highs."

MBA's quarterly 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. MBA's analysis incorporates the 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. As just one example, Fannie Mae reports loans receiving payment forbearance as delinquent, while Freddie Mac excludes those loans if the borrower is in compliance with the forbearance agreement.

Based on the unpaid principal balance (UPB) of loans, delinquency rates for each group at the end of the second quarter of 2020 were as follows:

- Banks and thrifts (90 or more days delinquent or in non-accrual): 0.64 percent, an increase of 0.13 percentage points from the first quarter of 2020;
- Life company portfolios (60 or more days delinquent): 0.15 percent, an increase of 0.11 from the first quarter;
- Fannie Mae (60 or more days delinquent): 1.00 percent, an increase of 0.95 percentage points from the first quarter;
- Freddie Mac (60 or more days delinquent): 0.10 percent, an increase of 0.02 from the first quarter; and
- CMBS (30 or more days delinquent or in REO): 9.60 percent, an increase of 7.81 percentage points from the first quarter.

Construction and development loans are generally not included in the numbers presented in this report, but are included in many regulatory definitions of 'commercial real estate' despite the fact 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 owner-occupied commercial properties.

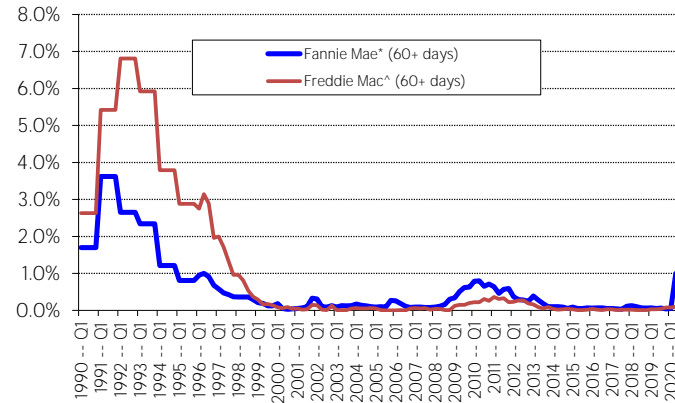
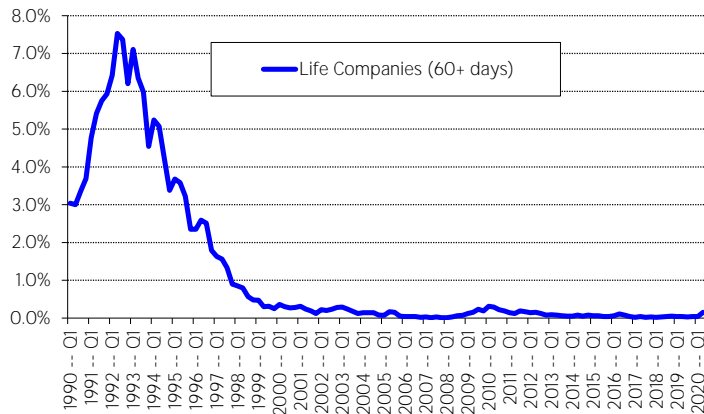
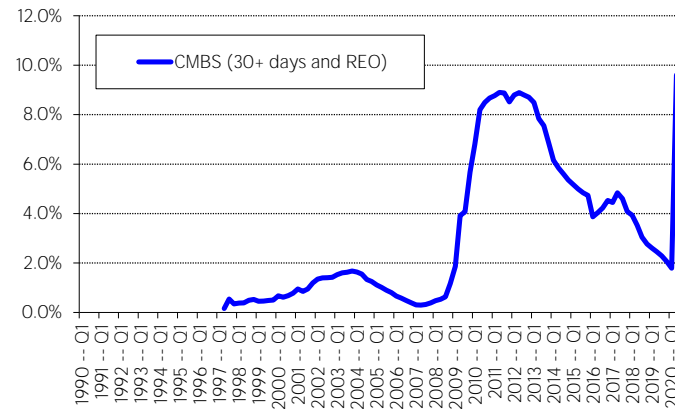
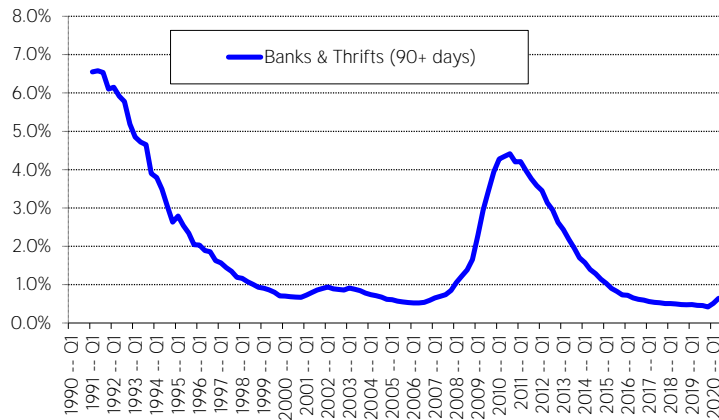
Differences between the delinquencies measures are detailed in Appendix A.

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.



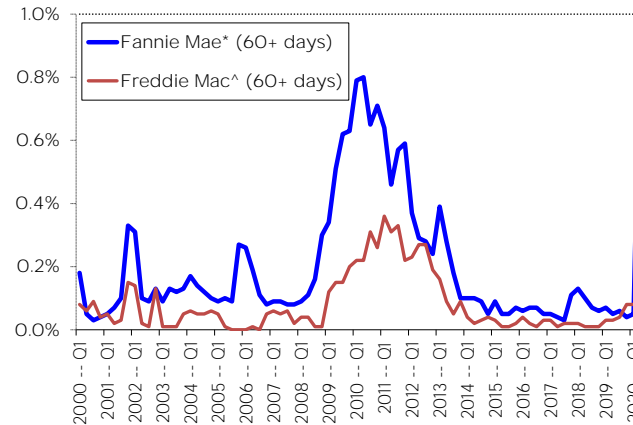
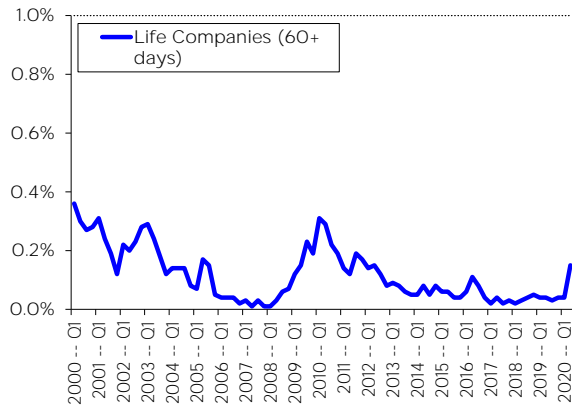
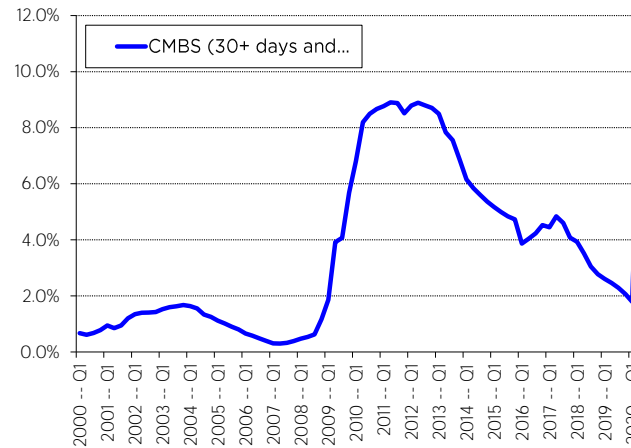
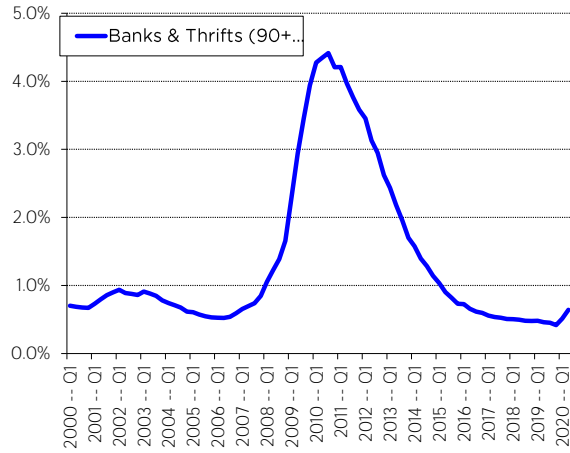
Sources: Wells Fargo Securities, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

CHART 2. COMMERCIAL/MULTIFAMILY MORTGAGE DELINQUENCY RATES AMONG MAJOR INVESTOR GROUPS, 2000 - PRESENT



Selected delinquency rates at the end of the period

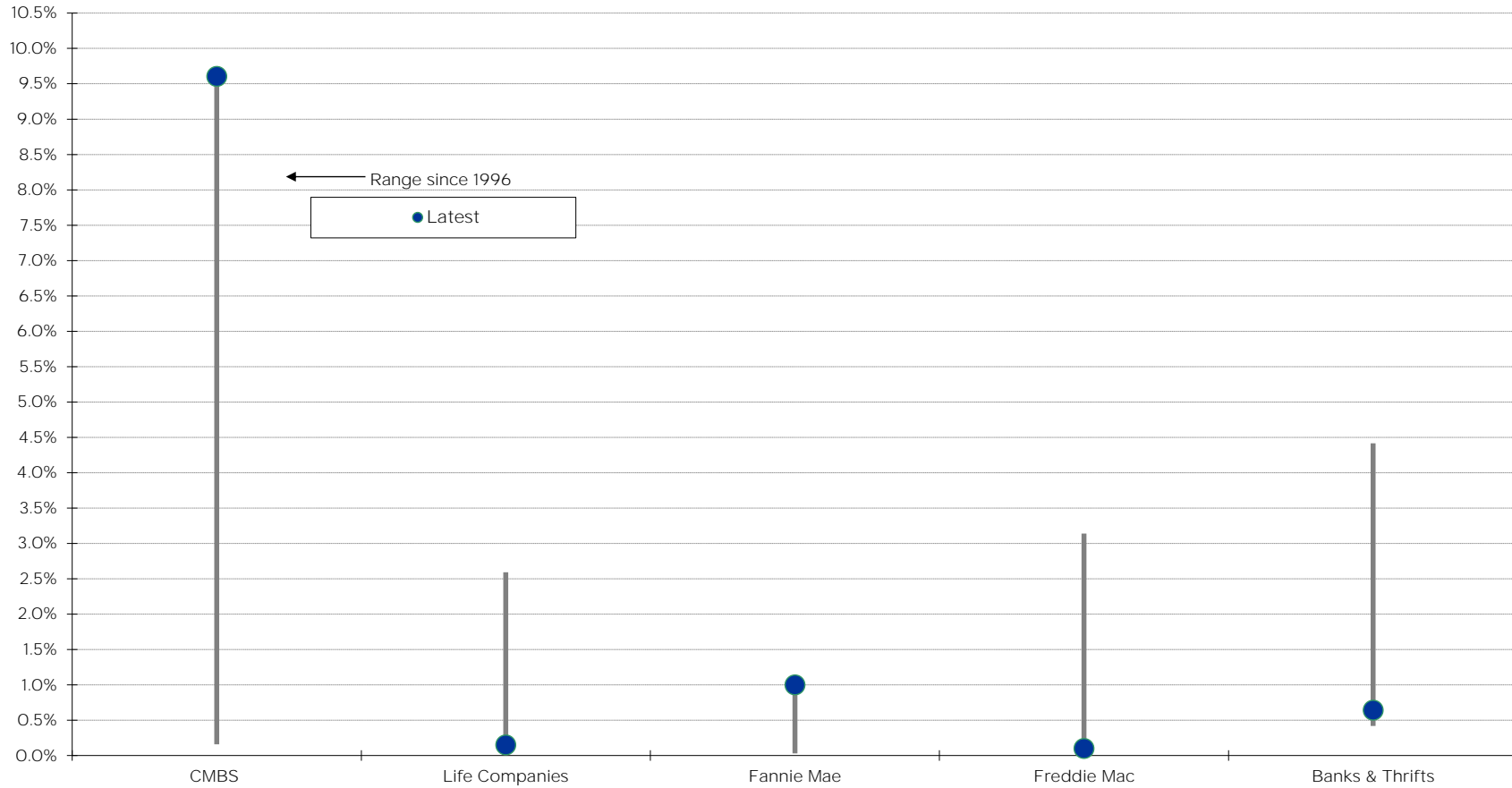
NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.



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

CHART 3. Latest Delinquency Rates and Range Since 1996

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.

	CMBS (30+ days and REO)	Life Companies (60+ days)	Fannie Mae (60+ days)	Freddie Mac (60+days)	Banks & Thrifts (90+ days)
Year-end					
2001 -- Q4	1.20%	0.12%	0.33%	0.15%	0.90%
2002 -- Q4	1.43%	0.28%	0.13%	0.13%	0.86%
2003 -- Q4	1.68%	0.12%	0.13%	0.05%	0.78%
2004 -- Q4	1.25%	0.08%	0.10%	0.06%	0.62%
2005 -- Q4	0.80%	0.05%	0.27%	0.00%	0.53%
2006 -- Q4	0.39%	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	5.68%	0.19%	0.63%	0.20%	3.94%
2010 -- Q4	8.67%	0.19%	0.71%	0.26%	4.21%
2011 -- Q4	8.51%	0.17%	0.59%	0.22%	3.58%
2012 -- Q4	8.71%	0.08%	0.24%	0.19%	2.62%
2013 -- Q4	6.86%	0.05%	0.10%	0.09%	1.70%
2014 -- Q4	5.36%	0.08%	0.05%	0.04%	1.14%
2015 -- Q4	4.73%	0.04%	0.07%	0.02%	0.73%
2016 -- Q4	4.53%	0.04%	0.05%	0.03%	0.60%
2017 -- Q4	4.08%	0.03%	0.11%	0.02%	0.51%
2018 -- Q4	2.77%	0.05%	0.06%	0.01%	0.48%
2019 -- Q4	2.07%	0.04%	0.04%	0.08%	0.42%
Quarter-end					
2017 -- Q1	4.45%	0.02%	0.05%	0.03%	0.56%
2017 -- Q2	4.84%	0.04%	0.04%	0.01%	0.54%
2017 -- Q3	4.60%	0.02%	0.03%	0.02%	0.53%
2017 -- Q4	4.08%	0.03%	0.11%	0.02%	0.51%
2018 -- Q1	3.93%	0.02%	0.13%	0.02%	0.51%
2018 -- Q2	3.52%	0.03%	0.10%	0.01%	0.50%
2018 -- Q3	3.05%	0.04%	0.07%	0.01%	0.48%
2018 -- Q4	2.77%	0.05%	0.06%	0.01%	0.48%
2019 -- Q1	2.61%	0.04%	0.07%	0.03%	0.48%
2019 -- Q2	2.46%	0.04%	0.05%	0.03%	0.46%
2019 -- Q3	2.29%	0.03%	0.06%	0.04%	0.45%
2019 -- Q4	2.07%	0.04%	0.04%	0.08%	0.42%
2020 -- Q1	1.79%	0.04%	0.05%	0.08%	0.51%
2020 -- Q2	9.60%	0.15%	1.00%	0.10%	0.64%

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 delinquent.

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.

Data are available for life companies, FDIC-insured banks and thrifts, Fannie Mae and Freddie Mac since 1990 and CMBS since 1997.



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