Commercial Real Estate Finance
Preparation for LIBOR Transition

June 2019
The Industry is Beginning to Prepare, but the Devil is in the Details

- Commercial/multifamily mortgage lenders are preparing for LIBOR
  - 92 percent have begun planning for the transition
  - 77 percent have adjusted fallback language in new loan documents
  - 56 percent are “right on track” in preparing

- But the devil is in the details
  - 41% say they anticipate using SOFR (3% won’t, 44% don’t know)
  - 32% say they will use an alternative prior to the cessation of LIBOR (18% won’t, 37% don’t know)
  - 85% anticipate making adjustments to fallback language in the future (0% don’t, 10% don’t know)
  - 33% have a formal plan for making adjustments (46% don’t, 10% don’t know)
  - 31% intend to follow the recommendations of the ARRC (3% don’t, 59% don’t know)
  - 59% are relying on regulators/industry bodies to make decisions before they take certain actions (21% don’t, 13% don’t know)
Industry is Beginning to Prepare
Has your firm begun planning for the transition away from LIBOR as a reference rate for adjustable-rate commercial mortgages?

- Yes: 92%
- No: 8%
- Don't Know: 0%
- Other: 0%

Source: MBA LIBOR Preparation Survey
Has your firm already adjusted the LIBOR fallback language in all its new loan documents?

- Yes: 77%
- No: 15%
- Don't Know: 3%
- Other: 5%

Source: MBA LIBOR Preparation Survey
How far along would you say your firm is in preparing for a LIBOR transition?

- Far Behind Where We Should Be: 36%
- Right on Track: 56%
- Far Ahead of Where We Should Be: 5%

Source: MBA LIBOR Preparation Survey
Devil is in the Details
Do you anticipate your firm using SOFR as its alternative to LIBOR?

Source: MBA LIBOR Preparation Survey
If "no" or "don't know" to Q2, do you know what alternative rate you will likely use?

- Yes: 19%
- No: 24%
- Don't Know: 43%
- Other: 14%

Source: MBA LIBOR Preparation Survey
Will your firm implement an adjustable-rate alternative to LIBOR in advance of the cessation of LIBOR?

- Yes: 32%
- No: 18%
- Don't Know: 37%
- Other: 13%

Source: MBA LIBOR Preparation Survey
Do you anticipate making adjustments (to LIBOR fallback language) in the future?

- Yes: 85%
- No: 0%
- Don't Know: 10%
- Other: 5%

Source: MBA LIBOR Preparation Survey
Do you have a formal plan for making adjustments?

- Yes: 33%
- No: 46%
- Don't Know: 10%
- Other: 10%

Source: MBA LIBOR Preparation Survey
Do you have a timetable for making adjustments?

- Yes: 15%
- No: 59%
- Don't Know: 15%
- Other: 10%

Source: MBA LIBOR Preparation Survey
Do you intend to follow the recommendations of the ARRC?

- Yes: 31%
- No: 3%
- Don't Know: 59%
- Other: 8%

Source: MBA LIBOR Preparation Survey
Are you relying on regulators/industry-bodies to make decisions before you take certain actions?

- **Yes**: 59%
- **No**: 21%
- **Don't Know**: 13%
- **Other**: 8%

Source: MBA LIBOR Preparation Survey
About the Survey

- In May 2019, MBA reached out to 115 commercial/multifamily mortgage banking firms that had reported closing loans in their own names during 2018, requesting that they participate in the survey.

- Only one individual at each organization was contacted.

- MBA received 43 completed surveys, as well as responses from additional firms noting that they would not participate because they do not make LIBOR-based loans.

- Percentages are based on completed responses for each individual question.

- Contact Jamie Woodwell, MBA’s Vice President of Commercial Real Estate Research (jwoodwell@mba.org or 202-557-2936) with questions.