

Commercial Real Estate Finance Preparation for LIBOR Transition

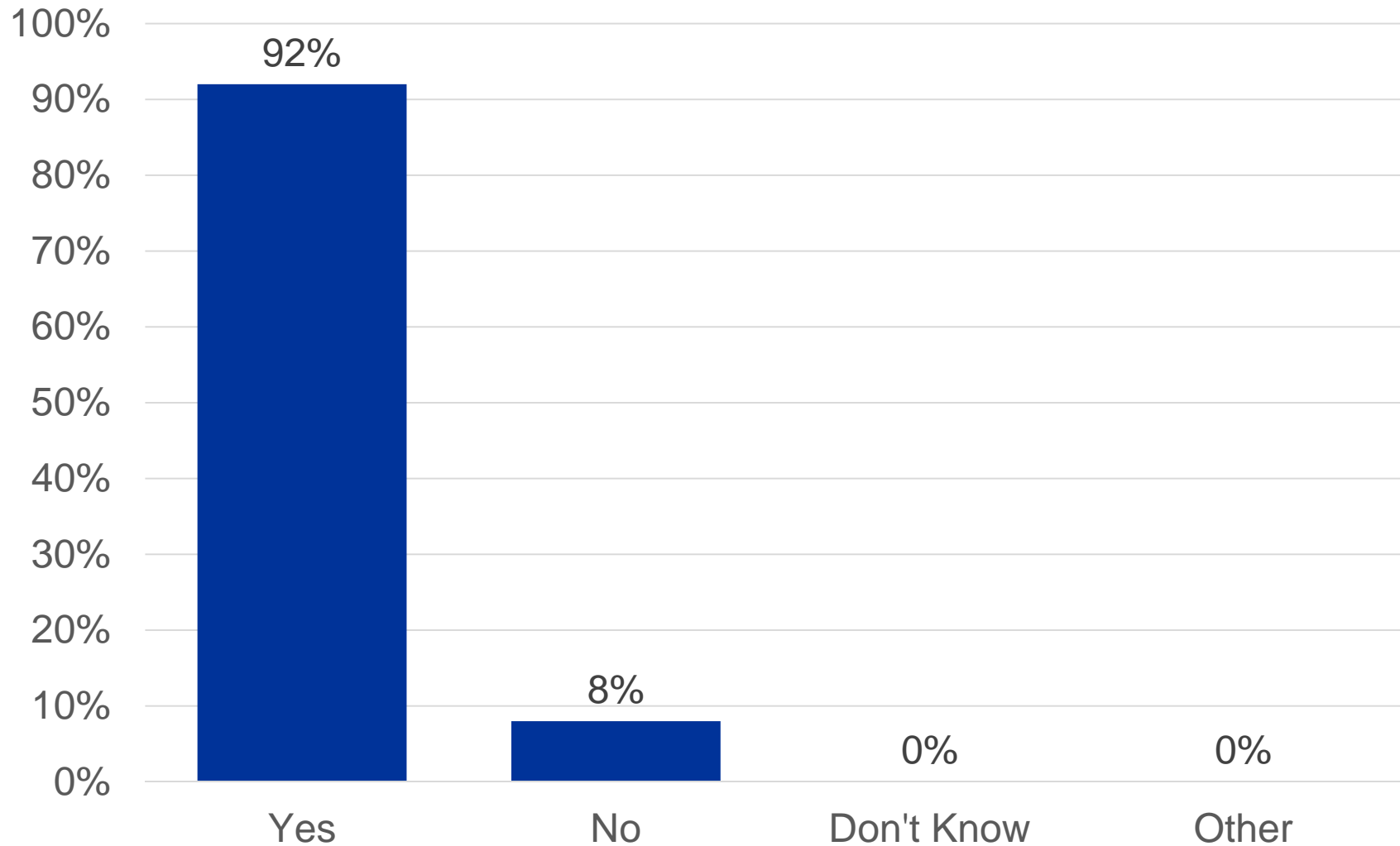
June 2019

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

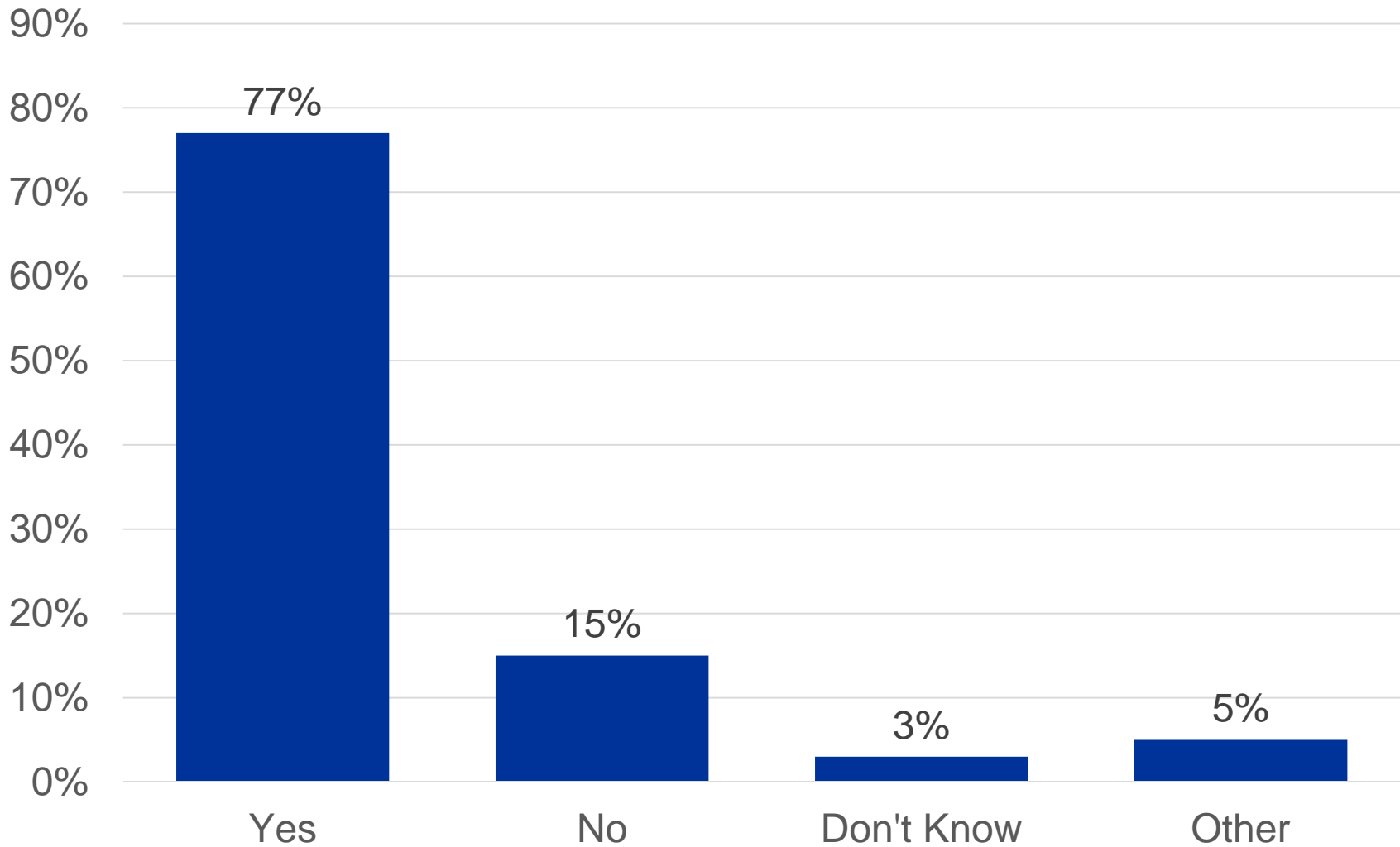
- Commercial/multifamily mortgage lenders are preparing for LIBOR
 - 92 percent have begun planning for the transition
 - 77 percent have adjusted fallback language in new loan documents
 - 56 percent are “right on track” in preparing
- But the devil is in the details
 - 41% say they anticipate using 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

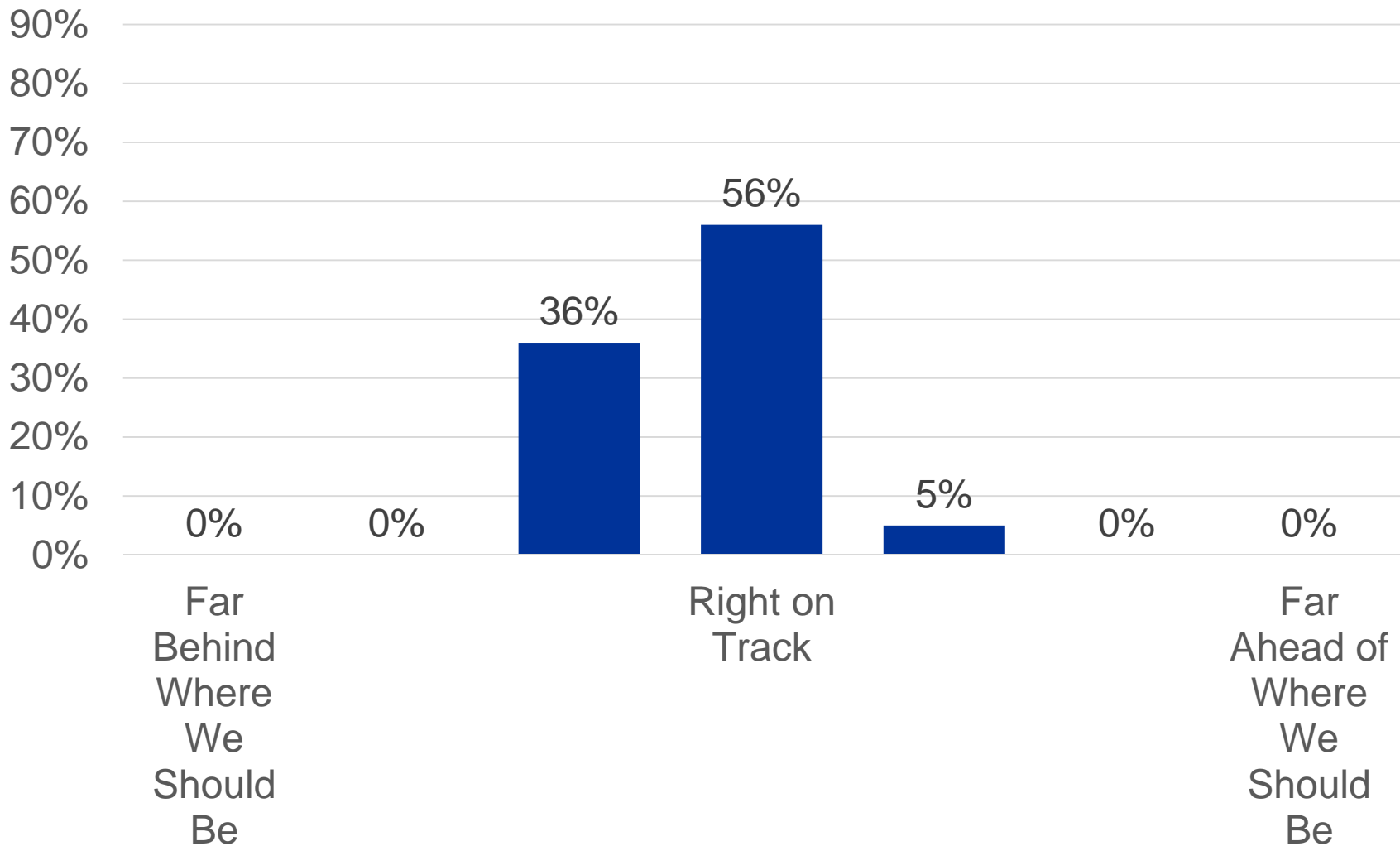
Has your firm begun planning for the transition away from LIBOR as a reference rate for adjustable-rate commercial mortgages?



Has your firm already adjusted the LIBOR fallback language in all its new loan documents?

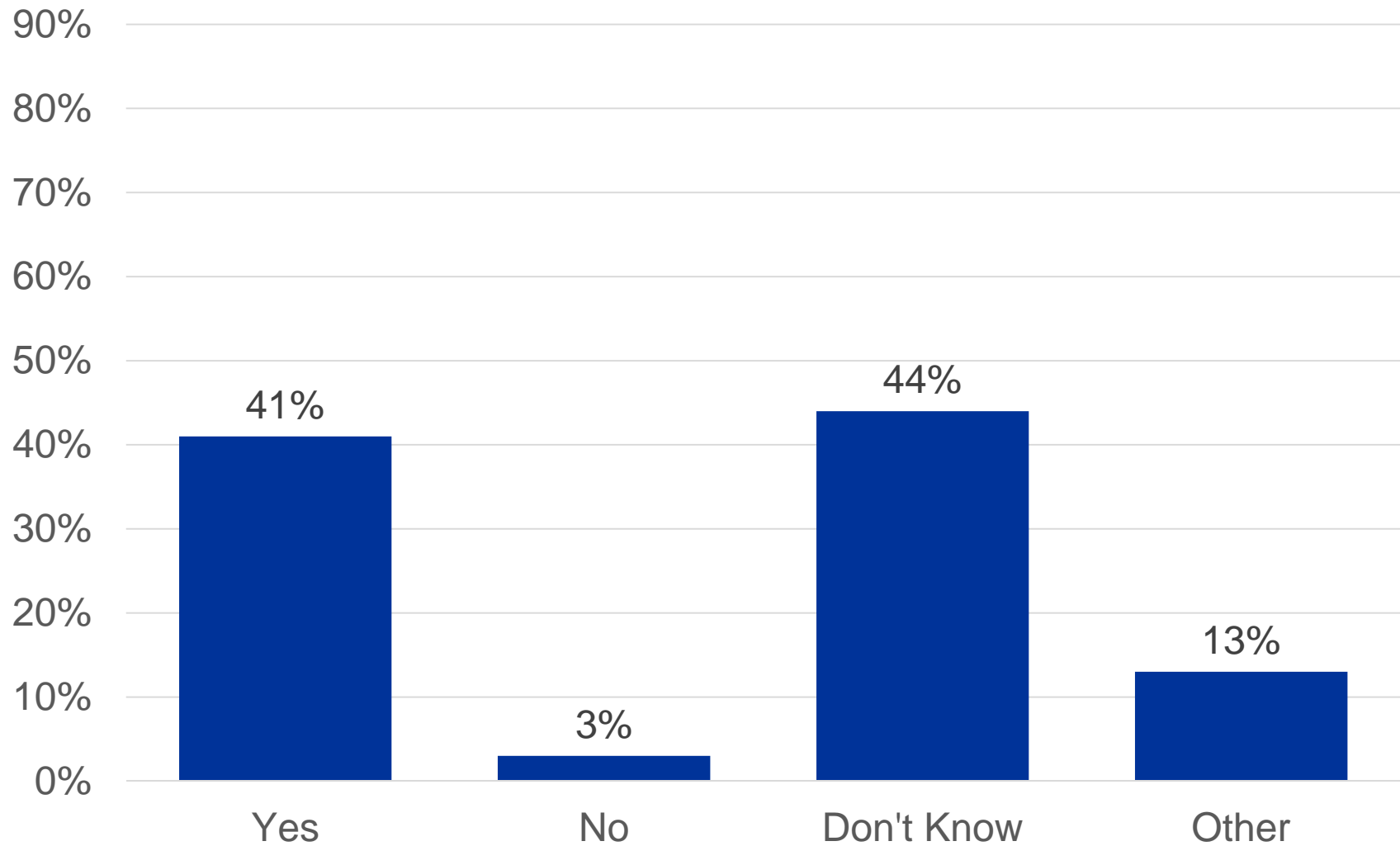


How far along would you say your firm is in preparing for a LIBOR transition?

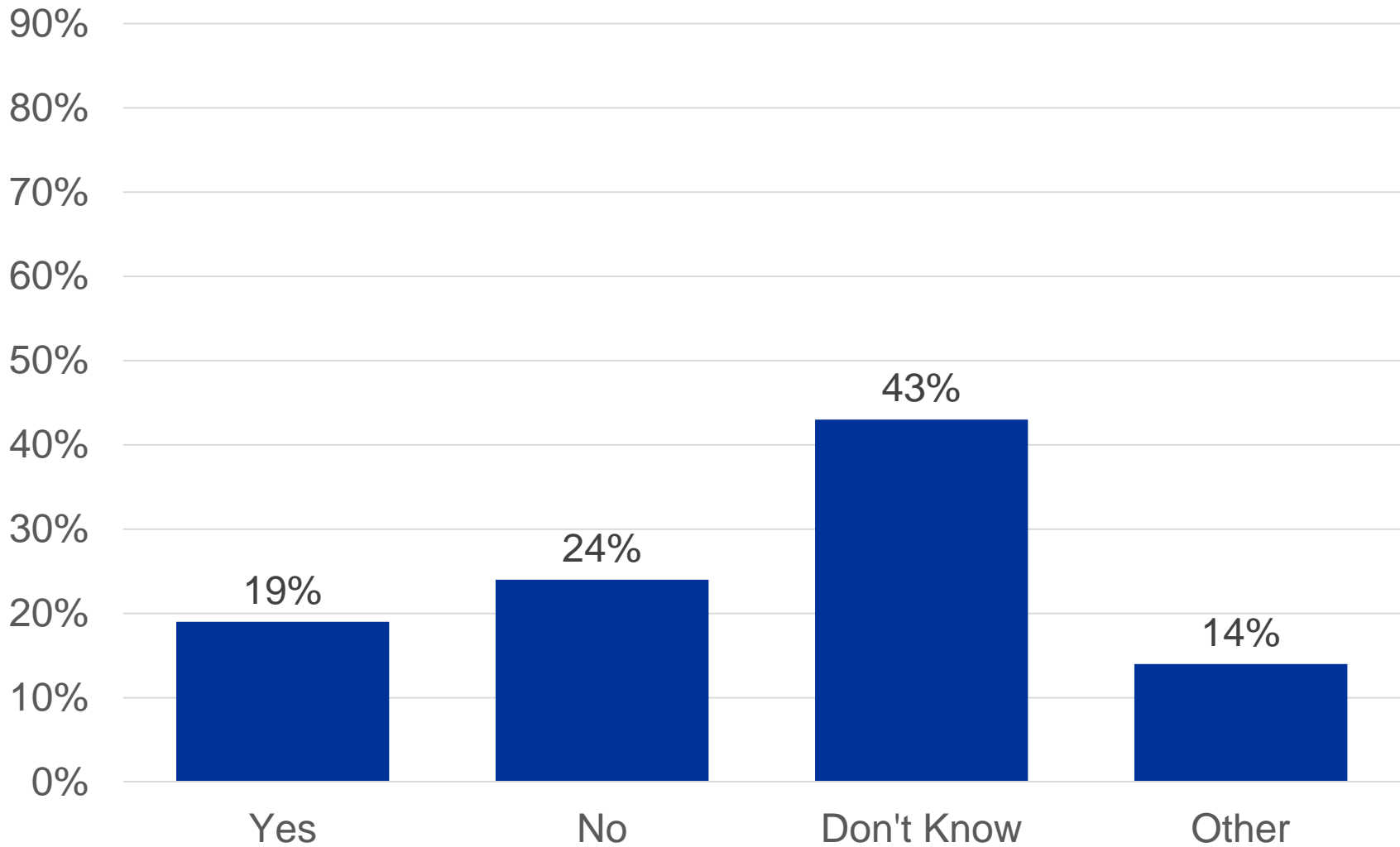


Devil is in the Details

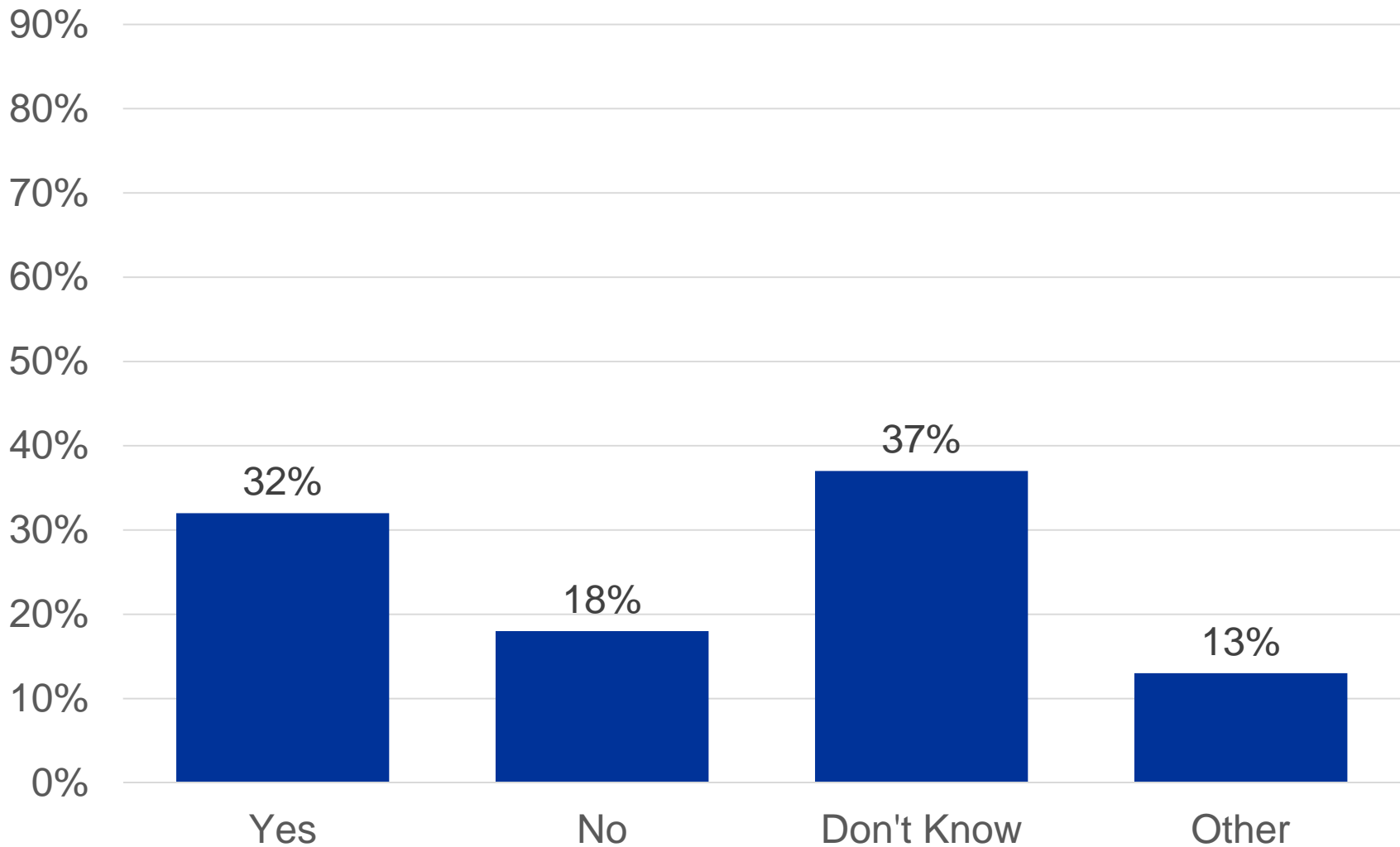
Do you anticipate your firm using SOFR as its alternative to LIBOR?



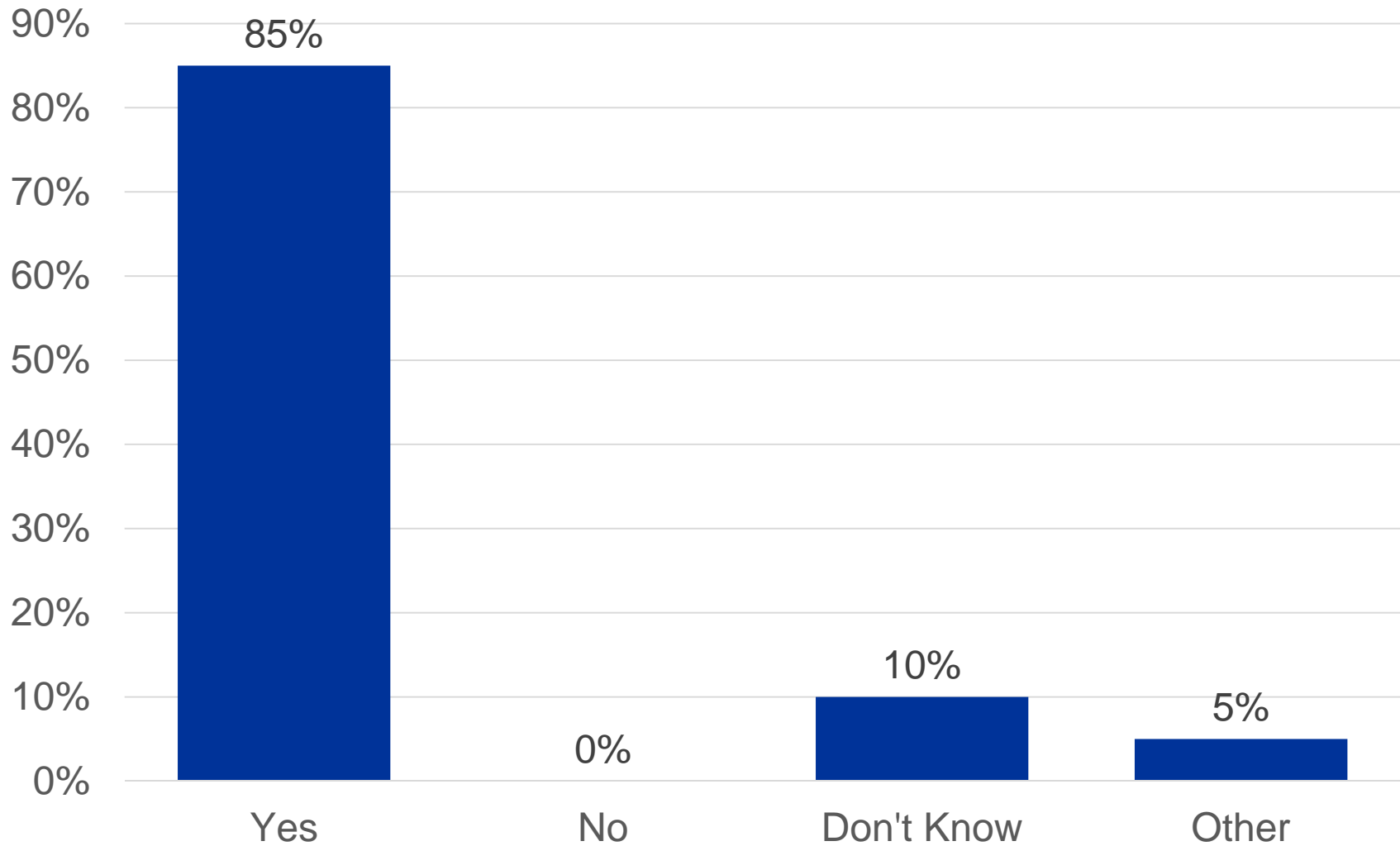
If "no" or "don't know" to Q2, do you know what alternative rate you will likely use?



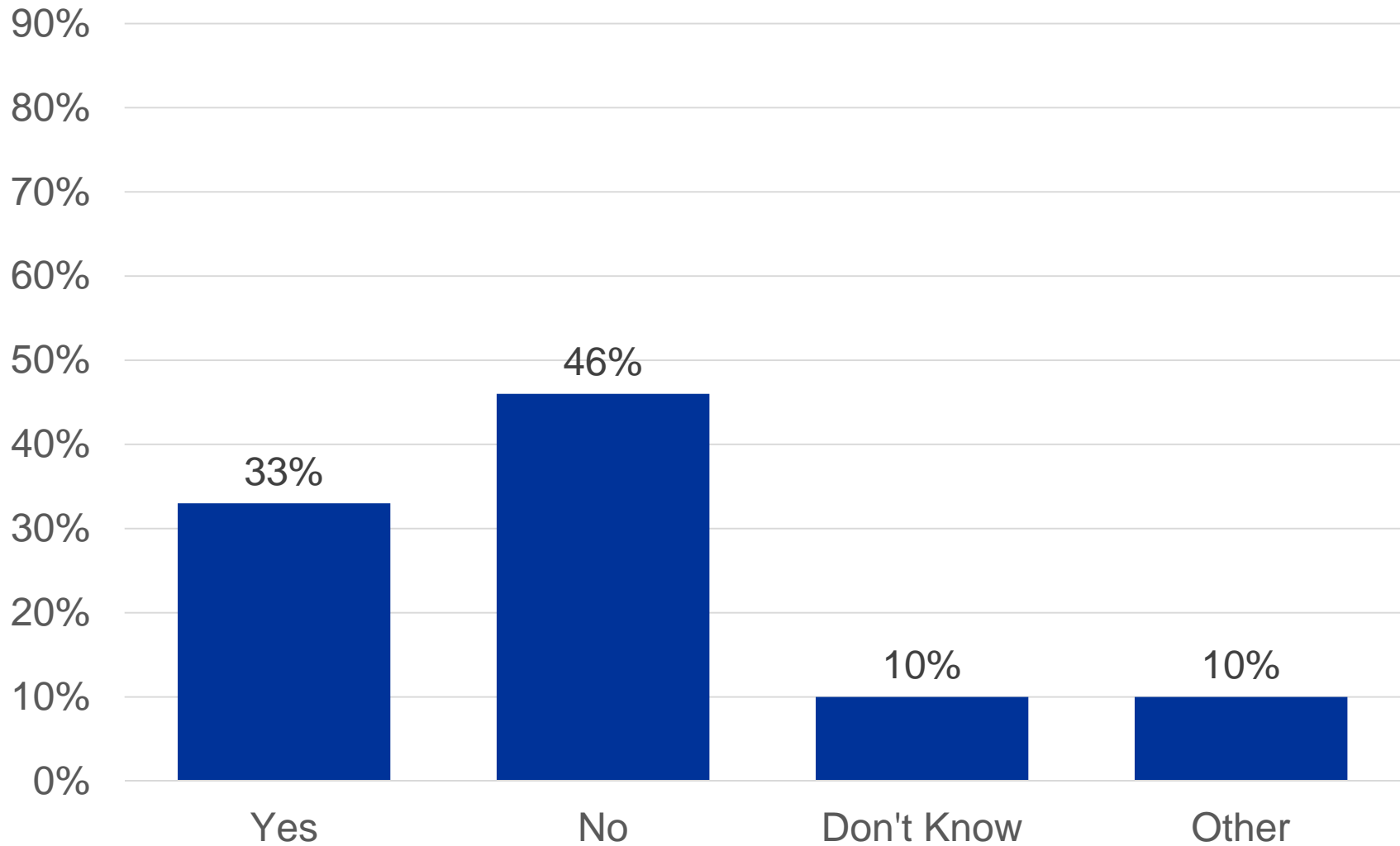
Will your firm implement an adjustable-rate alternative to LIBOR in advance of the cessation of LIBOR?



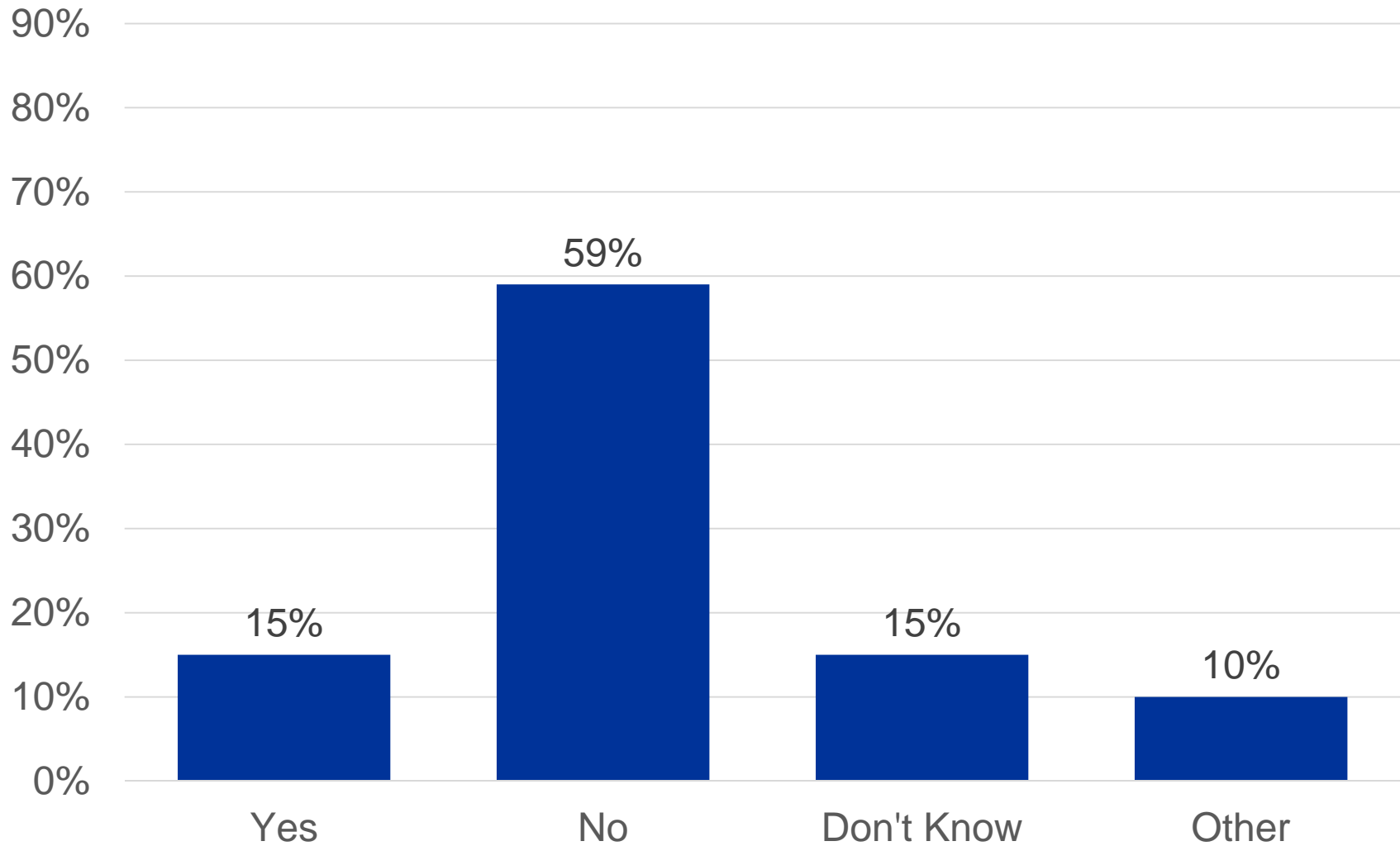
Do you anticipate making adjustments (to LIBOR fallback language) in the future?



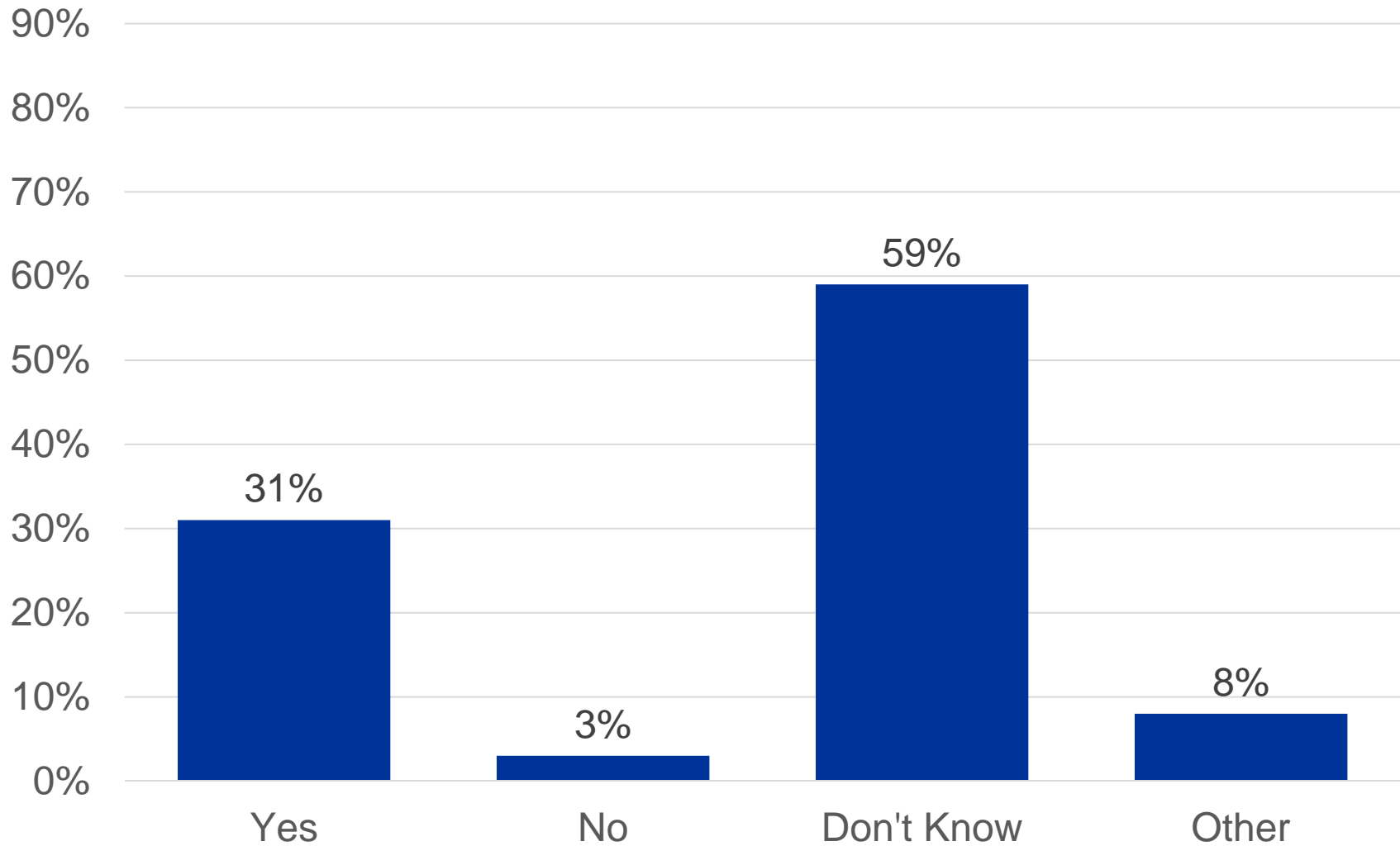
Do you have a formal plan for making adjustments?



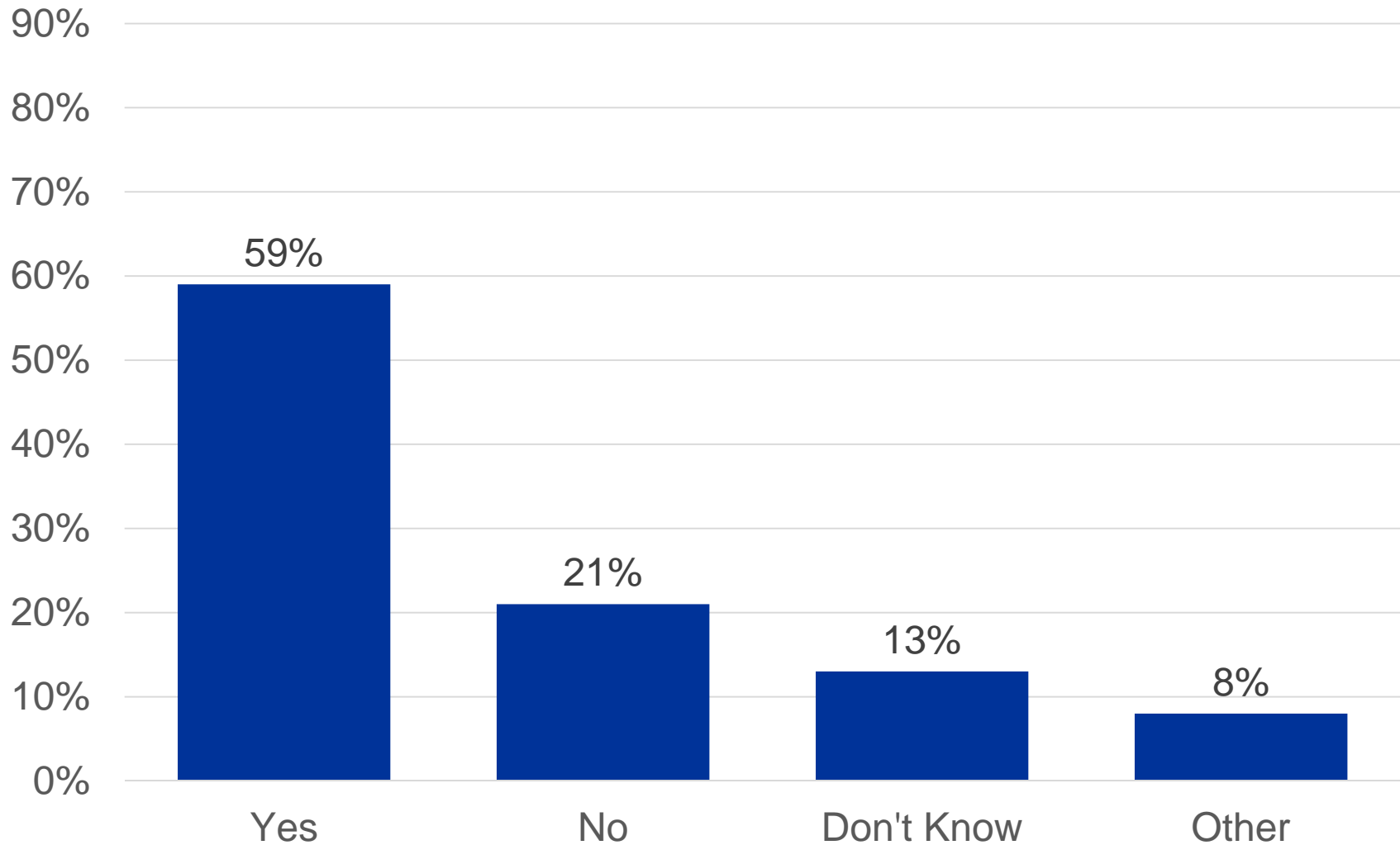
Do you have a timetable for making adjustments?



Do you intend to follow the recommendations of the ARRC?



Are you relying on regulators/industry-bodies to make decisions before you take certain actions?



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.