



## CREFC January Conference 2012 Forum Session Highlights

### **B-Piece Buyers Sub-Forum (closed)**

*Chair: Dan Sefcik, BlackRock*

*Chair-Elect: Nelson Hioe, Rialto*

The B-Piece Buyers Sub-Forum is open only to B-Piece buyers.

While there was unanimous dislike for the OA construct, members of the B-Piece Buyers Sub-Forum agree that it is here to stay in some form.

Members acknowledge that the creation of a new OA construct will not be perfect from any market participant's viewpoint but note that a market convention has been created over the last several deals which works for the greatest number of active participants on both the investment grade and B-Piece side.

Noting that there is a CREFC effort underway to address many of the concerns raised by investment grade buyers via structural changes to the operating documents, the B-Piece Buyers Sub-Forum is united in its position that another party without skin in the game (either in the form of a monetary investment or some form of liability) should not be able to terminate the Special Servicer.

The B-Piece Buyers Sub-Forum plans to schedule meetings with other CREFC Forums in an attempt to de-mystify the B-Piece world.

### **High Yield Debt & Investment Forum**

*Chair: Bill O'Connor, Crowell & Moring*

*Chair-Elect: Greta Guggenheim, Ladder Capital*

There is strong member interest and participation in this Forum, which is dedicated to industry participants seeking high yield through lending or debt investment in commercial real estate.

The market is fragmented and there is a lack of data on the various participants and their niches. Mezzanine debt and other rescue capital will take on more importance in coming years given the gap in refi proceeds, as will note purchasers for those deals for which the need for rescue capital exceeds the merits of the deal.

This year, the Forum will be hosting mini-conferences March 14-15 in New York City and May in Santa Monica. Registration and sponsorship will open soon for the March event. The Forum is also hosting an educational workshop in Dallas this September and plans to contribute to the CRE Finance World Magazine. Additionally, the Forum is considering the creation of the following Sub-Forums: Resort/Hospitality; Multifamily; and Healthcare/Assisted Living.

## **Investment-Grade Bondholders Sub-Forum (closed)**

*Chair: Tricia Hall, Paulson & Co.*

*Chair-Elect: Steve Kraljic, TIAA-CREF*

The IG Bondholders Sub-Forum is open only to Investment-Grade buyers.

This Sub-Forum plans to hold meetings with the B-Piece Buyers Sub-Forum, the Issuers Forum and the Servicers Forum during the coming year. Priority issues the Sub-Forum plans to focus on are:

- 1) Disclosure
  - a. Investors want 5 business days
  - b. Use the standard CREFC Annex
  - c. Ongoing reporting should include all fees
  - d. Ban of Fair Market Value
- 2) Rating Agencies
  - a. More comfort that Rating Agencies are motivated to be aligned with investors
  - b. 17-G5/ 17-G7 has not been effective
  - c. Discussion of possible changes to current business model
- 3) Underwriting & Information
  - a. Want origination practice to reflect the pool was originated to a buy and hold account. The originator would keep the loans they create.
  - b. More disclosure at securitization
    - i. Borrower basis
    - ii. Entire debt stack on all loans
    - iii. Increase borrower history
- 4) Representations and Warranties
  - a. Investors want the CREFC Standard Reps in use for all new deals going forward.
- 5) Operating Advisor
  - a. Investors want the OA awake and active from day one
  - b. Clear outline of responsibilities

## **Issuers Forum**

*Chair: Jonathan Strain, JP Morgan*

*Chair-Elect: Rene Theriault, Goldman Sachs*

The Issuers Forum consists of Broker Dealers, Investment Banks, boutique loan sellers, plus securitization legal counsel, trustees and rating agencies.

The Issuers Forum is not a typical forum and its mission is reactive rather than proactive. It is at the intersection of the debate between investors and other CMBS constituents.

The Issuers Forum's mission is to effectively listen to other forums and market participants and implement policy to promote consistency and confidence in CMBS markets and products.

The Issuers Forum plans to meet with other CREFC Forums and participate in CREFC initiatives which seek to formalize standards and best practices in the market as well as respond to regulators on issues such as risk retention and PCCRA.

### **Multifamily Lenders and Investors Forum**

*Chair: Jeff Day, Deutsche Bank Berkshire Mortgage*

*Chair-Elect: Caroline Blakely, Fannie Mae*

This Forum has been expanded to include multifamily investors as well as lenders. Issues and priorities for 2012 include:

- Educating Congress on GSE Reform; CREFC serving as an information resource
- Strategizing on ways to bring more private capital into the industry
- Affordable Housing Finance in Today's Environment: Low-Income Housing Tax Credit (LIHTC) and loan floaters
- Incentivizing participation in the Green Initiative
- Thoughts on a White Paper by the Federal Reserve Board to turn distressed single family into rental properties

### **Portfolio Lenders Forum**

*Chair: Rick Coppola, TIAA-CREF*

*Chair-Elect: Todd Everett, Principal*

The Portfolio Lenders Forum is focused on growing the membership and to that end, delivered complimentary conference invitations to the non-CREFC portfolio lenders. There was some initial positive feedback and the Forum plans to build on this momentum as it seeks additional portfolio lender participation. Greg Murphy of Natixus joined the Forum's Leadership group representing another commercial bank, as we continue to push for additional participation from the banking sector. Additionally, a Sub-Forum dedicated to Banks is also being formed which will explore various value-add propositions including a bank portfolio lender survey.

The Forum has received considerable support for the ongoing development of the Portfolio Lenders Insurance Company survey as a means to establish a benchmarking tool for portfolio performance. The Forum is collaborating with Trepp and expects to deliver the next iteration of the survey in the near future.

### **Servicers Forum**

*Chair: Erin Stafford, DBRS*

*Chair-Elect: Brian Hanson, CWCcapital*

There is an increased expectation of modifications in the coming year and there is concern among all parties with the time it takes to re-board the modifications. The Servicers Forum will be supporting the IRP's initiative of the improved modification template in addition to the best

practices which will enhance the communication between the special servicers and the master servicer and bond administrator in order to re-board the modifications in a timely manner.

The Servicers Forum also discussed the need to be more transparent in a meaningful way in terms of workouts, perhaps by offering more education on the IRP with emphasis on the CMBS overview within the introduction to the IRP. In addition, potentially looking at the “why” behind the requests for more information and creating a potential After-Work Seminar that explores different workouts (post-mortem) as well as the challenges that special servicers are facing in light of the increased transparency in addition to how the decision processes work along the way from transfer to final resolution.

Another topic of discussion was Rule 17G5, which seems to be causing some consternation across the group. The full impact has yet to be determined.

The Forum also discussed a lot of new 2.0 changes to the PSA, mostly which impact the special servicer and some of the trends we are seeing in the documents.

The Forum is planning a “meet and greet” luncheon with CREFC CEO Steve Renna next month in Dallas, is planning to meet with other CREFC Forums, and is also working on programming topics for After-Work Seminars.