Commercial Real Estate Conduit Loan

Its Benefits and Costs from the Borrowers' and the Lenders' Perspectives

by

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ABSTRACT
The conduit loan is one of the greatest financial success stories of real estate finance in the 1990s. This paper examines the benefits and the costs of commercial real estate conduit loan, focusing on the relationship between borrowers and lenders.

A conduit is a loan origination with the intent of securitization through its unbundled production by specialists, whereas traditional loan providers are essentially generalists who offer a bundle of financial services to borrowers. Although the conduit loan partially filled the gap left by the savings-and-loans by funding borrowers who had lower quality collateral until the S&L crisis of the end of the 1980's, it has since sprung up to add liquidity to the market by successful financial innovations.

As a result of the quantitative analyses of the loan programs of both lenders, the conduit has provided its easy access and availability of loans, national presence and comprehensive programs, disclosure of historical performance, and larger amount, longer non-recourse programs as its benefits for borrowers. On the other hand, the conduit has compensated for its flexible and customized programs, close relationships with lenders and price stability which traditional whole lenders have offered. From the lenders' perspective, the conduit brings liquidation, information risk diversification, buy-buck option of tailored loans and efficiency from specialization in substitution for underutilization of value information, adverse selection problem, price stability, flexibility and underwriting expertise which traditional lenders have offered. In conclusion, while the conduit can sustain its growth and traditional lenders may keep their position, advance of information technology may contribute to further growth of the conduit loan due to its scale efficacy and reduction of information friction.

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Introduction: Objective of the Thesis

The commercial mortgage market has been one of the healthiest and most profitable niches in mortgage banking over the past six years. Conduit loan programs are the fastest growing part of commercial lenders' business – a reflection of the needs and opportunities of the industry as a whole – and many lenders will continue to expand this conduit business aggressively in the years ahead, with new and innovative ways to take advantage of capital markets. Commercial conduits have sprung up to add liquidity to the market, and securitization volumes are increasing year by year. This, accompanied by the growth of the conduit loan market, has made it clear what the advantages of conduit loans are over the traditional loans for every stakeholder in the real estate finance business.

This paper focuses on the relationship between borrowers and lenders (originators) of commercial real estate loans, and analyzes quantitatively the loan programs of both conduit lenders and traditional ones in order to verify the conduit's benefits and costs from the perspective of the borrowers and to identify the strategies of both types of lenders. Furthermore, this paper considers how information technology, especially the Internet, affects the mortgage choices of borrowers and lenders. Before explaining the research methodology and analysis, the history and definition of commercial real estate conduits should be looked at in order to understand their current structure and market.

1. History of the Conduit Loan[1]

Conduits have partially filled the gap left by the savings-and-loans by funding borrowers who have lower quality collateral. Their early deals were backed by pools of seasoned and often financially distressed loans, as financial institutions sought to liquidate what were originally "buy-and-hold" asset portfolios. Large traditional debt sources, primarily insurance companies, are not typically willing to fund such loans. The loan's issuance volume was small in comparison with traditional whole loan origination due to the low overall demand of loan liquidity by banks and insurance companies, the high security underwriting costs related to the start-up nature of the business and the shallow investor interest in the securities.

The breakthrough came as a result of the severe commercial real estate recession around 1990. Because of numerous commercial bank and savings-and-loan failures, the Resolution Trust Corporation (RTC) was created to liquidate financially distressed commercial real estate loans. RTC adopted a bulk-sales and asset-backed disposition approach due to its need for quick liquidation and for savings of due diligence costs. Thus, the severe ratio of the private debt capital and the liquidation priority on the part of RTC provided Wall Street with the opportunity to cover start-up costs and establish a viable market for commercial mortgage backed securities (CMBS). In addition, due to poor asset quality, poor information quality and the unavailability of mortgage insurance, Wall Street developed a senior-subordinated structure to shift the credit risk to low priority securities. This tailoring of securities in accordance with investors' risk preference and industry expertise increased sales proceeds. Similarly, at the beginning of the 1990's, traditional whole loan investors began to sell all or part of their mortgage portfolios

[1] This section is chiefly summarized from "Lecture Notes of the Real Estate Capital Market," used in the course 11.432J "Real Estate Capital Market" at the Center for Real Estate, Massachusetts Institute of

because they needed to liquidate their poorly performing loans.

Then in the mid-1990s the so-called conduit-CMBS market emerged. Rather than using CMBS as a dumping ground for unwanted assets, these deals are backed by pools of commercial mortgages that are originated with the intent of securitization. Combining the features of two other very successful financial innovations – the residential MBS and the corporate junk bond – the CMBS has evolved rapidly in the face of changing market conditions. On the other hand, in late 1994, traditional whole loan portfolio lenders returned to the commercial mortgage market. Traditional debt capital was competitively priced and was targeted to fund for relatively high quality (Class "A") real estate collateral.

Also, fallout from the 1998 Russian financial crisis reminded participants of the fragility of this emerging product market. The Russian default crisis caused the Treasury rates to go down and spreads to widen between mortgage assets and Treasuries. The increase in spreads hit the CMBS market the hardest. The increase in spreads for the 10-year Treasury Bond made it extremely difficult for lenders to securitize, especially if they were borrowing in the capital markets. This "squeeze" caused a short-term liquidity crisis which was so severe that some commercial conduits were teetering on the verge of bankruptcy because large investors were unwilling to take on risk.[2] By the end of the year, most mortgage REITs, the most aggressive buyers of lower-rated CMBS, were weakened to the point where they no longer bought. Criimi Mae Inc., a commercial conduit that invests in the riskier side of CMBS, filed for Chapter 11. Nomura Securities, a prominent conduit/security underwriter in the market, was also a casualty of this crisis. Owing to the short term (a few weeks) of the crisis and the intervention by the

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Technology by Professor Tim Riddiough, February 2000.

[2] "1999 Commercial Mortgage Directory" pp1-1.

Federal Bank in bailing out Long Term Capital Management, the CMBS market came back to its normal condition before a crisis developed.

Currently, since they have become more efficient and the market has matured, conduits not only compete head-to-head with traditional debt sources in most market niches but also are sustaining their growth. For example, the spread market has increased in flexibility and in demand for high-rated CMBS, since it has been found that CMBS spreads and SWAP spreads are well-correlated. CMBS is one of the greatest financial success stories of the 1990s.

2. Definition: Commercial Real Estate Conduit[3]

A conduit is a loan origination with the intent of securitization. The fundamental distinction between conduit loans and traditional whole loans in a production process context is that the financial service functions are unbundled and addressed by specialists with conduit lending, whereas traditional loan providers are essentially generalists who offer a bundle of financial services to borrowers. Traditional lending includes loan origination, loan servicing, risk management and investment services and is provided by the originating lenders/investors. Traditional lenders, who are traditionally insurance companies and commercial banks, have their funding sources for the loan, which are typically long-term and relatively stable insurance premium annuities and savings deposits. However, the lenders are likely to alternate periods of oversupply of credit with periods of credit rationing or pricing; this is designed to make up for past performance problems. [4]

The conduit loan also introduces new strategic considerations for conduit-investment banks, which can now tailor loan contracts and pool composition to better fit the perceived demand of security holders, as described in the previous chapter.

The following figure illustrates the five key players in the conduit-CMBS securitization process, with the arrows indicating the direct cash flow relationships and the solid lines indicating information flow interactions. This paper focuses on the relation between the borrower and the conduit lender.

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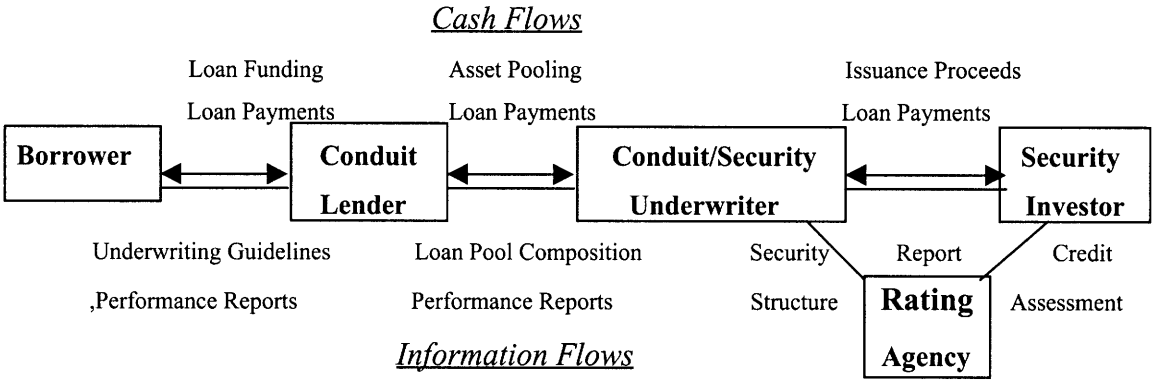
[3] This section is summarized from "Forces Changing Real Estate for at Least a Little While: Market Structure and Growth Prospects of the Conduit CMBS Market," by Professor Tim Riddiough, the Center for Real Estate, Massachusetts Institute of Technology, February 2000.

[4] "Determinants of Commercial Mortgage Choice" by Professor Tim Riddiough for The Transact 2000

Figure1: Conduit Loan Cash Flows and Information Flows



Commercial real estate borrowers and security investors represent endpoints in the loan production process. CMBS, which are customized through security designs such as the senior-subordinated structure, are generally publicly registered and sold through traditional bond investment channels to a variety of investors who are typically unknown to the borrower. As ultimate funding sources for conduit loans, security investors in the public market are likely to be steady capital providers who also are apt to price capital in a "memoryless" fashion[5]. Alternatively, the public market capital price can be more volatile in the short-run than traditional loan sources.

The conduit lender provides mortgage-underwriting services and secures fees from origination. The investment bank/security underwriter coordinates a network of loan originators, pools the loans together and determines appropriate cash flow allocation rules for securities that are carved out of the loan pool. Income is earned by the conduit/security underwriter from the spread deferential between the mortgage yield and the weighted-average security yield. Warehousing costs are relevant for investment banks, who must accumulate a sufficiently large

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inventory of loans prior to security issuance. Unexpected short-term increases in market loan and security interest rates, as represented by the case of the Russian financial crisis, can create losses. There is a tradeoff between realizing liquidity, cost and information scale benefits with larger securitizations versus reducing unhedgeable pipeline risk with smaller issuances.

Rating agencies earn fees of up to $1 million each for determining the subordination levels needed to secure particular bond ratings and for monitoring post-issuance asset pool performance. These fees are paid by the investment bank/underwriter, since free-rider problems prevent fees from being directly passed to investors. Significantly, rating agencies exert control over the design of securities but do not take investment positions in the securities themselves.

Finally, although it does not appear in the above figure, the special servicer's rule in the case of borrowers' default should be discussed. The special servicer controls the foreclosure/extension decision and is typically controlled by the most junior investment class holders. This structure introduces a potentially conflicting interest between debt classes. Lower-rated investment classes will generally prefer loan extension while senior security-holders will prefer foreclosure. This is why extension may bring junior holders the possibility of deferring or even avoiding losses, as well as introducing additional downside risk to senior holders.

Given the above differences in the loan process and sources between conduit and traditional lending, we will investigate the benefits and costs of conduit loans. In particular, due to its unbundling financial service, the conduit lending process requires scale efficiency and each player's specialization, which creates the differences between conduit lenders and loan programs, and traditional ones.

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[5] "Determinants of Commercial Mortgage Choice" by Professor Tim Riddiough for The Transact 2000 Conference sponsored by the National Association of Realtors, August 2000.

3. Data Source and Analysis Methodology

3-1: Analysis Methodology

In order to verify the benefits/costs of conduit loans and to identify each lender's strategy, the following two studies have been done. The first study is about the lenders of both conduit and traditional loans. Who are they? Where do they operate their businesses? How various are their loan programs and what kinds of programs do they provide? To what kinds of commercial real estate properties do they offer their loans? This study tells us what the differences are between conduit lenders and traditional lenders as well as how those differences affect borrowers.

Table 1: Lender Information and Data Categories

Information & Data	Category
Company Type	1. Bank 2. S&L 3. Mortgage Bank 4. Mortgage Broker 5. Commercial Conduit 6. Investment Banker 7. REIT 8. Insurance Company 9. Pension Fund 10. Other
Business Area	Local National/International
Number of Loan Programs	(Number of Loan Programs shown on each lender's website)
Loan Type	Permanent/Acquisition/Refinance Mezzanine Construction Bridge/Interim
Property Type	Multifamily Healthcare Industrial Office Retail Hotel/Hospitality

The information which is collected includes each company type, business area, the number of loan programs and the loan type which each company provides on its website, and the property type they lend. The information and data is further categorized as shown in Table 1.

The second study focuses on their loan programs. How high are the loans' prices? How large a loan and for how many years can they lend? How many and what kinds of provisions do the programs set? What detailed information do they disclose? How flexible are the programs? This study tells us how a borrower finances from each lender, what the benefits or costs of each lender are and why the lenders offer such loan products. In order to compare "apples to apples," the selected sample loan programs are "Permanent/Acquisition" programs for "Multifamily," "Office" and "Retail." This program information includes the interest type, loan size, loan to value ratio (LTV), debt service coverage ratio (DSCR), spread, maturity, fees and other restrictions. The information consists of more detailed categories and definitions as shown on the next page.

3-2: Data Source

At first, both conduit and traditional lenders were researched from The Commercial Real Estate Lenders Ranking in the "1999 Commercial Mortgage Directory,"[6] which ranks the top 242 commercial real estate lenders by their annual loan volumes. It includes more detailed information about the top 100 lenders' company types, property types, loan types, loan size range and so on.

Table 2: Loan Program Information and Data Categories

Information & Data	Description	Definition[7]/ Explanation
Interest	Fixed, Floating or Both	Fixed rate type of loan in which the interest rate does not fluctuate with general market conditions. Floating rate fluctuates with the market conditions.
Loan Size[8]	Min.& Max. Amount	Range of available loan amount
LTV & DSCR	Maximum LTV Minimum DSCR	*Loan to Value Ratio*: a ratio of money borrowed to fair market value . *Debt Service Coverage Ratio*: a ratio of cash flow available to meet annual interest and principal payments on debt.
Spread	Min.& Max. Spread Spread Base	Difference between yields on securities of the same maturity but different quality.
Maturity	Min.& Max. Years	Number of years for which a debt instrument is due and payable.
Amortization	Min.& Max. Years	Reduction of debt by regular payments of interest and principal sufficient to pay off a loan by maturity.
Origination Fee	$ or % of Loan Amount	Fees paid by borrowers to "originator" that initially made the mortgage loan comprising part of a pool of mortgages.
Second Mortgage Available	Yes/No	Permit to make second mortgage or not.
Prepayment Penalty	Yes (Penalty Kinds)/No 1. Lockout 2. Defeasance 3. Yield Maintenance 4. Percentage Penalty 5. Exit Charge	*Lockout* is the period in which borrower are not permitted to prepay the loan. Usually it only covers the initial years of a mortgage. *Defeasance* is the most precise form of call protection. The cost to borrowers who prepay is similar to the cost of Treasury-flat yield maintenance premium while investors see no change in their bond prepayments as if loans were locked out for their entire term. *Yield maintenance* equals the present value of the difference between the mortgage rate and the yield on the Treasury security with maturity closest to the expiration of the yield maintenance period. *Percentage Penalties* pay the investor a premium by applying a percentage to the amount prepaid, and *Exit charges* pay a fixed amount set beforehand.
Assumable Loan	Yes/No	Loan which can be taken on responsibility for the liabilities of another party.
Escrow for Tax & Insurance	Yes/No	Money held by a third party until the conditions of a contract are met.
Reserve	Yes/No	Segregation of retained earnings to provide for such payouts as contingencies or improvements.
Occupancy Requirement	%	Minimum property occupancy for loan.
Time to Closing	Min.& Max. Days	Time from application to loan closing .
Single Purpose Entity	Yes/No	Bankruptcy Remote Entity.
Non-Recourse Loan	Yes/No	Loan of which lenders have no recourse to assets of lenders beyond those for the mortgage.

[6] "1999 Commercial Mortgage Directory" by Faulkner and Gray Inc., 1998, New York, NY.

[7] Most definitions come from "Dictionary of Finance and Investment Terms" (fifth edition) by John Downes and Jordan Elliot Goodman, Barron's.

[8] Only this criterion's average and standard deviation is not from each loan but each lender, since many lenders

In accordance with the above definition of a conduit, the criteria to distinguish between conduit lenders and traditional ones among the 100 lenders is whether the lenders sell part of the loans in their portfolios or keep 100% of the loans. If they sell part of the loans to others, such as investment banks, they are categorized as conduits. If they keep their loans, they are traditional lenders. There were two problems in distinguishing. The first problem is that the Directory did not show us detailed information about the lenders' loan programs. Therefore, all the lenders' websites were investigated further and the ones were picked whose loan program information or data are shown. The second problem is that we could not gather a big enough sample of traditional lenders. Thus, five more traditional lenders were researched on the commercial real estate mortgage website. Finally, 73 lenders, which consist of 39 conduit lenders and 34 traditional lenders, and more than 250 loan programs were selected.

Since our information depends on websites, our sampling method might have caused some selection bias. Not all lenders have websites, and not all borrowers use the Internet in searching for their mortgages. Some kinds of lenders do not have to advertise their programs or themselves through the Internet. Thus, we have to take into account that our research results may be affected by the fact that our sources come exclusively from the Internet. Also, we will consider what kinds of lenders advertise their loan programs through the Internet and why the other lenders do not.

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provide different loan programs depending on the loan amount.

4. Results of the Analysis

4-1: Lenders Analysis

(The result of the first study on lenders is shown in Appendix 1.)

4-1-1: Who are Conduit Lenders and Traditional Lenders?

Table 3: Lenders Research by Company Type

		Conduit Lender		Traditional Lender	
Sample Number		39		34	
		Lenders	%	Lenders	%
Nationwide Operation		31	79%	9	26%
Company Type	Bank	8	21%	13	38%
	S&L	0	0%	7	21%
	Mortgage Banker	12	46%	5	15%
	Mortgage Broker	2	5%	2	6%
	Commercial Conduit	7	18%	0	0%
	Investment Banker	1	3%	0	0%
	REIT	0	0%	0	0%
	Insurance Company	2	5%	2	6%
	Pension Fund	0	0%	1	3%
	Other	1	3%	4	12%

First of all, we can see that conduit lenders are likely to develop their business nationwide but traditional lenders tend to operate locally. About 80% of conduit lenders develop their business nationwide, while only 26% of traditional lenders do. This result seems to be due to the fact that traditional lenders focus on their business districts since they put stress on stronger relationships with their borrowers, so they must be well versed in the local commercial real estate market. In this research, it was found on their websites that many traditional lenders stress their thorough knowledge of local markets.[9] This verifies that traditional lending is relationship-oriented while conduit lending is transaction oriented.

[9] As a representative example, Astoria Federal Savings insists on its website that ASF is a major part of the greater Long Island community and it never forgets that banking is a highly personal business, where good service relationships and being a part of the neighborhood really make a difference.

As for company types, conduit lenders chiefly consist of "Mortgage Banks" (46%), "Banks" (21%), and "Commercial Conduits" (18%). Since "Mortgage Banks" and "Commercial Conduits" do not have deposit bases and rarely retain loan ownership, it is very reasonable that these lenders originate conduit lending. On the other hand, traditional lenders consist of "Banks" (41%), "S&Ls" (21%) and "Insurance Companies" (6%), which are portfolio lenders and have the sound financial capacity to originate and retain ownership. Although "Mortgage Bank" makes up 15% of traditional lenders, they can retain ownership of loans at least for a limited period of time through lines of credit and other non-deposit base sources of outside finance.[10]

4-1-2: What kinds and how many loans do they provide?

Tables 4: Lenders Research by Loan Type

		Conduit Lender		Traditional Lender	
Average Number of Loan Programs		8.4		2.6	
		Lenders	%	Lenders	%
Loan Type	Permanent/Acquisition	39	100%	34	100%
	Mezzanine	20	51%	4	12%
	Construction	28	72%	24	71%
	Bridge	21	54%	11	32%

"Permanent/Acquisition" loan programs are provided by 100% of both conduit and traditional lenders and "Construction" programs are provided by about 70% of both lenders. On the other hand, more than 50% of conduit lenders have "Bridge/Interim" and "Mezzanine" programs, but those programs are provided by only 32% and 12%, respectively, of traditional lenders. This result can be proved by the average number of loan programs on their websites. The average number of programs which conduit lenders provide is 8.4 programs, in comparison

[10] "Determinants of Commercial Mortgage Choice" pp11, by Professor Tim Riddiough for The Transact 2000

with traditional lenders' 2.6. Thus, many conduit lenders (14 lenders out of 34 samples) offer "full-line" loan programs and the traditional lenders focus more on permanent and construction programs.

Since "Construction," "Mezzanine" and "Bridge" loans are accompanied by higher risk than permanent first mortgages, these loans are well suited for securitization since the credit risk can be decomposed and reassembled through financial engineering. This seems to be one of the reasons why conduit lenders provide full-line loan types. On the other hand, some traditional lenders offer the quick "Bridge" loans as "loss leaders" in order to connect the loans to establish long-term repetitive lending relations.

4-1-3: For what kinds of property do they set loans?

Tables 5: Lenders Research by Property Type

		Conduit Lender		Traditional Lender	
		Lenders	%	Lenders	%
Property Type	Multifamily	38	97%	33	97%
	Healthcare	32	82%	12	35%
	Industrial	34	87%	29	85%
	Office	34	87%	30	88%
	Retail	33	85%	31	91%
	Hotel/Hospitality	30	77%	17	50%

Conduit lenders also provide loans to almost every property type ("Multifamily" 97%, "Healthcare" 82%, "Industrial" 87%, "Office" 87%, "Retail" 85% and "Hotel/Hospitality" 77%), while traditional lenders tend not to provide their programs to "Hotel/Hospitality" (50%) or "Healthcare" (38%) property. Some traditional lenders focus on only one property type, such as "Multifamily", since they have their underwriting sections specialize in one property type. On

the other hand, it appears that conduit lenders disaggregate idiosyncratic risks by providing various loans for property types.

4-1-4: Results and Considerations

The results of the above research are that conduit lenders provide comprehensive loan programs for any property type anywhere, while traditional lenders offer limited loan types for limited property types in the local or district commercial real estate market. A broader variety of loan programs cutting across geographical boundaries reflects a desire by security issuers and investors to diversify asset pools widely across property types and geography. Diversification is related to informational disadvantage in conduit lending: loan specific information asymmetries lead to discounts in the external asset value. This effect is analogous to the pricing of idiosyncratic risk. Thus, diversification substitutes for local market knowledge to facilitate an arm's length conduit lending operation.[11]

Finally, what we have to take into consideration is that our sample data source, drawn solely through the Internet, may have affected the result. Many of the traditional lenders are regional and local commercial banks; few larger banks and insurance companies appear. Larger banks and insurance companies, which are major traditional lenders, already have such a strong customer base that they may not have to advertise through the Internet. Furthermore, the big players among traditional lenders may not want to share their know-how about loan origination established with their circle of related borrowers. This may be why the sample of lenders is concentrated around some of the smaller niche players in the market.

[11] "Determinants of Commercial Mortgage Choice" pp11, by Professor Tim Riddiough for The Transact 2000 Conference sponsored by the National Association of Realtors, August 2000.

4-2: Loan Program Analysis

Not only the most important finding but also the most serious problem in this research is that traditional lenders tend not to disclose their information about loan programs. For example, in Appendices 4 and 5, "Multifamily Permanent Loan Programs," the share of blank cells in total number of cells on the spreadsheet of traditional lenders (70% 658/945) is much more than that of conduit lenders(43% 611/1143). Their website descriptions of loan program information are mostly "Call or send mail for more detailed information." As a first possible reason for the difference in information disclosure between the lenders, traditional lenders may not provide information about their standard loan programs due to their direct and close relationship with borrowers. Actually, they are more likely to advertise the flexibility of their loan programming[12]. In contrast, conduit loan programs provide much more detailed description in order to match a previously unknown lender with a previously unknown borrower. The conduit lenders' position of detailed information can significantly reduce search costs, which allows them to compete with traditional lenders whose search costs are usually lower due to their locally-based relationship lending arrangements. This confirms for us the result of the last study, that conduit lending is viewed as a one-off transaction, whereas whole lending is more relationship-based. As a second reason for the information gap, conduit lenders can be more precise about loan program guidelines. Since the securitization process needs to standardize loan programs, conduit lenders cannot help reducing their ability to customize the loan contracts. On the other hand, traditional

[12] As a representative example, Fremont Investment & Loan insists on its loan flexibility in its website. Because Fremont is a portfolio lender, it has the flexibility to create the optimum loan structure for each project. Fremont can structure around unusual credit risks, offer customized funding options to meet the particular needs of individual transactions, provide "earnouts" of additional loan funds in recognition of value created, and when appropriate to the transaction, provide high loan to value ratios including secondary financing and mezzanine debt.

lenders have greater discretion in customizing loan contracts and making exceptions in loan underwriting guidelines.

This information gap makes it more difficult for us to compare apple to apple. The information gap should be taken into consideration when we analyze the results of the following research. The sample's numbers of lenders and programs for each property type's permanent/acquisition loan are shown as follows.

Table 6: Data Sample Number

			Lenders	Loan Programs
Multifamily	Conduit	Conforming	12	26
		Non-Conforming	31	53
		Total	43	79
	Traditional		26	35
Office	Conduit		34	47
	Traditional		30	36
Retail	Conduit		33	46
	Traditional		32	38
Total	Conduit		39	172
	Traditional		34	108

4-2-1: Multifamily Permanent Loan, Conforming and Non-Conforming

(See Appendices 2, 3, and 4)

Table 7: Comparison of Average Data between Conforming and Non-conforming Loans

	Max LTV	Min DSCR	Spreads	Max Maturity/Amortization
Conforming	81.6%	1.17	150-190	28/32 YR
Non-conforming	79.9%	1.23	170-250	17/30 YR

The outstanding difference in data between conforming and non-conforming loans is summarized in the above table.

Multifamily conduit loans are categorized into conforming loans and non-conforming loans. A conforming loan is defined as a mortgage loan that meets the qualifications of government agencies such as the Federal Home Loan Mortgage Corporation (FHLMC) or the Federal National Mortgage Association (FNMA) which buys the loan from lenders and then issues pass-through securities.[13] These Federal agencies have a highly developed multi-family CMBS market, since these programs can eliminate credit risks, access huge capital reserves and provide specialists who monitor originators. Thus, as shown in the above table, the conforming loan programs are more mitigated in their prices, loan maturity, LTV, and DSCR due to government subsidiary, but more restricted about property qualities or age, than are non-conforming loan programs. As a result, for the borrower, conforming loan programs are preferable to non-conforming ones.

4-2-2: Multifamily Permanent Loan, Conduit Non-Conforming and Traditional

(See Appendices 2, 4, and 5)

More differences than in the above comparison can be found between conduit non-conforming loan programs and traditional loan programs. First of all, we can easily notice the conduit loan programs' general characteristic of being standardized longer maturity non-recourse fixed interest rate loans.

[13] "1999 Commercial Mortgage Directory " by Faulkner and Gray Inc., 1998, New York, NY.

Table 8: Multifamily Comparison Average Data between Conduit and Traditional Loans

	Fixed Rate Only	Non-Recourse	Maturity/ Amortization (Years)	Loan Size ($Million)	Max LTV	Min DSCR	Spreads	Prepayment Penalty
Conduit (Non-Conforming)	81%	89%	6.7-17.1 18.2-29.7	1.4-88	79.9% *(3.3%)*	1.23 *(0.03)*	170-250	93%
Traditional	43%	7%	8.4-14.2 14.4-25.9	1.0-18	77.2% *(6.2%)*	1.21 *(0.07)*	230-320	57%

(Standard Deviation)

As one of the outstanding characteristics of the conduit loan's standardization, we can notice interest type. About 80% of conduit programs are fixed interest rate programs, while less than half (43%) are traditional fixed programs. One reason may be that CMBS investors generally do not like to mix fixed and variable rate products in the loan pools and an active fixed-for-variable swap market exists for security holders who prefer floating rates. Also, many traditional lenders prefer variable rate loans for asset-liability matching purposes.[14]

As for collateral, all conduit programs except small loans are non-recourse loans, while most traditional loans (93%) are full or personal recourse loans. By adopting the non-recourse loan style, conduit lenders do not have to gather detailed information about the borrowers' financial conditions like their other collateral assets. Furthermore, conduit lenders require borrowers to organize as a single purpose entity or a bankruptcy remote entity, while traditional lenders do not. This reminds us that conduit lenders are not relationship-based lenders like traditional lenders, as shown before.

[14] "Determinants of Commercial Mortgage Choice" pp15, by Professor Tim Riddiough for The Transact 2000

The average maximum loan maturity and amortization of conduit loans are longer than those of traditional loans by about three years. This is why the traditional lenders often have relatively short-term liability that they may wish to match their assets against. Also, a variety of loans of shorter and longer maturities are desirable to conduit-CMBS issuers in order to target the range of maturity/duration preferences of investors who purchase the securities.[15]

As another noticeable conduit standardization characteristic, we can see that most of the LTV of conduit programs (41 out of total 49 samples) are 80%. On the other hand, one-third of the LTV of traditional programs hit 75% and the others vary widely from 65% to 90%. This tendency of conduit standardization can also be seen in DSCR. The conduit's DSCR data sample (total: 49 samples) consists mostly of both 1.20 (27 samples) and 1.25 (20 samples), while traditional DSCR data varies from 1.00 to 1.40. Thus, the standard deviations of both the LTV and DSCR of conduit loans are about half those of traditional loans. Also there is less variation in provisions across conduit loan programs, as described in a later section.

As a result, the conduit programs' standardized characteristics are a double-edged sword for lenders. The standardization makes it possible for the lenders to operate the loans efficiently, but they lose their flexibility. These characteristics affect both the advantages and disadvantages of conduit lenders. We would like to discuss each loan program's advantages as follows.

From the research, we find that conduit loans have some advantages over traditional loans. In particular, the conduits' average spread range for loan price (170-250) is lower than that of traditional loans (230-330). Conduits' average maximum LTV is higher by 2.7% and the average maximum loan size is much larger than traditional ones. These are most preferable to

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[15] "Determinants of Commercial Mortgage Choice" pp16, by Professor Tim Riddiough for The Transact 2000

borrowers; they mean that the borrowers can finance a larger amount at cheaper costs. By the way, we have to take into account that these results are partly affected by our sample bias. For example, as for the loan amount, conduit lenders are ordinarily constrained from offering large loans size, since rating agencies and security investors penalize loan pools in which any one loan is disproportionally large in relation to the other loans. On the other hand, traditional lenders are more likely to offer a large loan balance through a loan syndication network.[16] As for the loan pricing, our accepted idea is that the loan pricing of traditional lenders seems to be rather cheaper than that of conduit lenders either because major traditional lenders target the "A" quality loan market, or because collateral recourse is not limited. The above differences between our accepted idea and the result come from the fact that our sample of traditional lenders mostly consists of smaller local players which target the riskier quality loan market.

We also find that there are some advantages to traditional programs. Most conduit programs (93%) involve various call protections such as defeasance, yield maintenance or percentage penalty combined with a lockout for prepayment risks. Meanwhile, fewer (57%) traditional programs impose these penalties, and borrowers may prepay more traditional loans without penalties after the lockout term. Similarly, more provisions can be found in the conduit programs. Provisions for credit risks, such as deposits, escrows and reserves, are much more commonplace in conduit programs. Also, a minimum occupancy requirement and second mortgage prohibition can often be found in conduit programs. These results verify that conduit lending is viewed as a one-off transaction, whereas whole lending is more relationship based, since provisions are more necessary for conduit lenders as a substitute for the traditional lenders'

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[16] "Determinants of Commercial Mortgage Choice" pp15, by Professor Tim Riddiough for The Transact 2000

close relationships with their borrowers. The expectation of repeated business dealings among traditional lenders generally reduces the need for risk management mechanisms, as an ongoing relationship implies a certain degree of trust and informality. In relation to the traditional loan's advantages, it also seems that the average minimum DSCR (1.21) of traditional loans is lower than that of conduit loans (1.23). It seems that conduit DSCR must be lower than that of traditional loans because conduit lenders are likely to finance more risky mortgages and, thus, offer higher loan amounts and maximum LTV. The reason why traditional loans' DSCR is lower seems to be that traditional lenders originate many more floating rate loans than conduits. Generally, the floating rate loan has a lower DSCR than a fixed one, since floating interest already involves a risk adjustment in itself.

Finally, as an interesting finding of the research, the time to loan closing can be considered. Unfortunately, we could not determine which type of loan closed most quickly due to scarcity of the data sample of the traditional programs. Conduit lenders had their loans closing in between 30 and 60 days. In general, conduit loans take less time to close than traditional loans, and conduit lenders generally do not have to address idiosyncracies, which cause delays in the loan funding process, with their standardized programs and pre-regulated details, while traditional lenders have to take more time to close in order to complete the due diligence process due to their more flexible loan programs. On the other hand, traditional lenders have advantages such as location and property asset focused underwriting expertise. Actually, some traditional lenders place an emphasis on their quick closings by providing short-term bridge loans.[17] We

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[17] For example, Titan Mortgage Capital, L.P. is a direct lender specializing in short-term commercial lending and offers "substantial capital resources, often within 7 days" with an experienced underwriting team targeting a focused market area. Also, Fremont Bank advertises that its success in its niche markets is due to its

can guess that some traditional lenders have begun to stress quick closings in order to compete with conduit lenders.

4-2-3: Office & Retail Permanent Loan Program

(See Appendices 2, 6,7,8 and 9)

Table 9: Office & Retail Comparison Average Data between Conduit and Traditional Loans

		Fixed Rate Only	Non-Recourse	Maturity/ Amortization (Years)	Loan Size ($Million)	Max LTV	Min DSCR	Spreads	Prepayment Penalty
Office	Conduit	77%	91%	6.7-15.4 17.0-28.8	1.5-40	76.6% *(3.1%)*	1.25 *(0.04)*	200-290	91%
	Traditional	33%	42%	6.5-12.2 16.7-25.4	1.4-21	75.3% *(5.3%)*	1.23 *(0.09)*	240-330	36%
Retail	Conduit	78%	91%	6.7-15.4 17.6-29.3	1.5-40	77.7% *(2.7%)*	1.24 *(0.03)*	190-290	91%
	Traditional	32%	40%	6.3-12.6 16.7-25.4	1.2-24	76.1% *(6.1%)*	1.23 *(0.09)*	240-330	36%

(*Standard Deviation*)

Although the sample number of both conduit programs and traditional ones is less than that of multifamily, we can see almost the same results with office and with retail permanent loan programs (There is a small difference between the office programs and retail ones in both conduit and traditional lenders). Conduit permanent loan programs for office and retail properties have longer maturity and amortization, by 3 to 4 years, than traditional ones. Most of

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"Responsiveness" (Fremont is committed to providing prompt, reliable service to its customers. The company offers a highly efficient approval and closing process, and is well known for its ability to expedite approvals and closings for time sensitive transactions) and "Reliability" (its due diligence process is designed to minimize last minute surprises). Furthermore, Kennedy Funding, Inc. has shown an ability to close loans with lightning speed. As its website promises, Kennedy can not only obtain millions of dollars in a matter of days, but it does so with a minimum of prep work. There are no voluminous applications or endless interviews with bank officials who must then wait for a loan committee meeting to approve a loan. Its funding often comes

the conduit loan programs have a fixed interest rate and non–recourse loans (more than 75% and 91% respectively). Conduits' average maximum loan amount is twice as much as traditional ones, and their average spread (190-290) is much lower than that of traditional ones (240-330) with a slightly higher average maximum LTV. Like multifamily programs, traditional loan programs (36%) provide fewer call protections for prepayment than conduit programs (91%). A summary of the outstanding data is shown as follows.

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within two weeks.

5. Conclusions and Future Markets

Table 10: Summary of the Studies

Category		Conduit Loan	Traditional Loan
General Tradeoffs	Production Process	Unbundled Processes By Specialist	Bundle Process by Generalist
	Driven Source	Transaction Driven	Relationship Driven
	Contract	Standardized Contract	**Customized Contract**
	Information	**Disclosed, Formal**	Closed, Informal
	Promotion	Advertisement (Website)	Broker
	Capital Source	Public Market	Private Entity
		Continuous Availability	Occasional Rationing
		Short-term Price Instability	**Short-term Price Stability**
	Lender	Non-Deposit Based Originator	Deposit Based Originator
	Sensitivity	Quantity (Scale Merit & Efficiency)	Quality (Collateral Quality)
Loan Program Characteristics	Area	National Presence	Local Market Presence
	Variety	**Comprehensive Programs**	Narrower Selection
	Standardization	More Standardized	**More Flexible**
	Information	**More**	Less
	Interest	Fixed	**Variable more available**
	Maturity	**Longer**	Shorter
	Loan Size	**Larger Amount & LTV**	Less
	Risk Management Provisions	Pre-regulated	Not regulated
	Prepayment Call Protections	Defeasance, Yield Maintenance	Locked out
	Closing	Fast	Slow but some are Fast
	Collateral	**Non Recourse, Single Purpose**	Full/Personal Recourse

("**Bold**" parts are estimates of each loan's advantages.)

The results of the studies are summarized in the above table. In Chapter 3, we confirmed the differences in the loan production process and capital sources between conduit loans and traditional loans. Borrowers finance a conduit loan through an unbundled process with specialists from the public market. Meanwhile, the borrowers finance a traditional whole loan

with one deposit-based lender which takes care of the entire lending process for the lender's portfolio investment. As shown in Chapter 4, many different characteristics between the two loans are derived from these fundamental differences. For example, although traditional lending tends to be "quality conscious," as in borrower or collateral quality, conduit lending is likely to be "quantity conscious" in order to acquire scale efficiency of its loan origination. Also, we have confirmed that conduit lending is one-off transaction driven, while traditional lending is relationship driven. As a result of the above studies, this chapter determines what the benefits and costs of a conduit loan are for the borrowers. After that, we will argue what the benefits are from the lender's perspective. Finally, related to the above arguments, we will consider how Information Technology (IT) will affect the loan choices of both the borrowers and lenders in the futures.

5-1: Benefits of a Conduit for Borrowers

First of all, since the conduit loan was devised to improve the liquidity of a poor loan through securitization, borrowers can more easily finance with a conduit loan. For example, as detected in gathering the loan program data, more information about conduit loan programs was found on websites in comparison with information about traditional loan programs. We found it especially difficult to access detailed information about big traditional lenders' loan programs. Also, conduit money is always available in the public market at a price that more accurately reflects risk-return tradeoffs. On the other hand, the pricing and availability of traditional debt has fluctuated for reasons that are unrelated to current lending risks. It is also difficult to obtain accurate loan price quotes that do not bump up against underwriting constraints. Furthermore, in

relation to its information availability, the conduit market gives out publicly available loan-by-loan historical performance information, for analysis, about investment performance and risk measurement. This is useful for borrowers, who can price loans more accurately. On the other hand, traditional debt sources have historically kept their investment performances private. They consider proprietary information to be a competitive advantage.

Secondly, conduit lenders are likely to provide comprehensive programs (Permanent/Acquisition, Construction, Bridge, Mezzanine) for all property types (Multifamily, Office, Retail, Healthcare, Hotel/ Hospitality) nationwide. The full-line loan products of conduit lenders are convenient for borrowers, since the borrowers can minimize trouble in finding an appropriate loan program.

Finally, a conduit loan program often provides a larger maximum loan amount, higher maximum LTV and longer loan maturity and amortization as a non-recourse loan. These are all preferable to borrowers. We also cannot forget that a securitized conduit loan removes the mortgage asset from the borrower's balance sheet, which promotes financial ratios of his such as ratio of assets (ROA).

As a result, the conduit loan seems to be continuing to grow in the commercial mortgage market due to its easy availability, loan performance information disclosure, full-line product and its longer-maturity, larger-amount non-recourse program. For example, worthy projects for which traditional lenders have not provided capital can always obtain financing through the conduit market. This is good not only for the borrower but for society because of the smaller chance of misallocating resources. I believe that the growth of the conduit market can be sustained while traditional lenders still keep their position in the market, as shown in the following section.

5-2: Costs of the Conduit for Borrowers

While a conduit can offer full-line programs, most permanent/acquisition conduit loans are long fixed-rate non-recourse loans. Also, conduit loans in each category, not only conforming loans for multifamily but also non-conforming ones for any commercial properties, are standardized. Many common regulations, such as reserve, escrow, minimum occupancy rate and prepayment penalty, are set beforehand. This means less flexibility to create a customized loan contract. In order to keep costs down, securitization requires relatively homogeneous debt contracts. The loss of flexibility may be a significant concern for some borrowers.

On the other hand, traditional lenders focus themselves on more limited loan programs, properties as well as market areas. Such focus and expert strategy allows them to offer more flexible corresponding and to establish closer relationships with their borrowers. For example, traditional loan programs provide more varied interest programs and fewer provisions, and insist on a quick closing bridge finance. Meanwhile, conduit lending is relatively impersonal. This means that each lending situation will be judged on its own merits as opposed to developing a long-run business relationship with a particular debt source. Furthermore, this impersonal relationship means that a borrower loses bargaining power in a time of financial distress. Historically, if financial distress occurs, the borrower sits across the table from the lender who the borrower presumably knows well and attempts to work out the difficult situation. With conduit lending, a special servicer, who probably has no relationship with the borrower and has different interests from the borrowers, will address the distress situation. This can make negotiations more difficult. As described in Chapter 2, special servicing rules often restrict loan extension time periods and generally do not allow for cash infusions from security-holders. On the other hand, traditional loans may keep their position by getting along with their borrowers

due to the established relationship with their borrowers.

Another consideration is the price instability of conduit loans. Although capital is generally available in the public markets, short-term interest rate volatility can be extreme, such as in the Russian Crisis in 1998. Interest rate volatility can make it difficult for the borrower to plan and execute an investment strategy. In contrast, traditional debt prices tend to be much more stable in the short-run, making business planning easier.

5-3: Benefits and Costs for Conduit Lenders

The benefits for conduit lenders are summarized as followings. The first benefit is liquidity creation. Conduit securitization mechanisms, such as credit quality certification by a rating agency or product brand name recognition, promote liquidity. Holding the debt in the form of registered securities can also be effective in creating greater post-origination liquidity than that associated with holding the loan whole. This liquidity may be quite valuable for asset-liability matching purposes, regulatory capital reserve management or other business reasons.

As the second advantage, the conduit lending process provides a dilution of two risks through loan pool diversification. The first risk, sales discount due to asymmetric asset value information, becomes small since information risk is idiosyncratic and hence diversifiable. This suggests that loan pool diversification can efficiently substitute for costly information acquisition. Thus, conduit lenders may be able to develop their business more easily nationwide. The other risk dilution can be achieved by selling loans whose returns are highly correlated with an existing asset base, and then buying back securities which are carved out from a broadly diversified asset pool. Furthermore, tailoring benefits derive from the creation of a simple

senior-subordinated security. The originator may prefer to own the subordinated security due to its informational advantage through the loan screening process. This retention subordinated loan by the originator may also increase the value of the senior security due to quality signaling effects. Alternatively, when well informed outside investors exist, the originator may prefer to retain the senior security for capital reserve purposes. Post-issuance liquidity of the senior security may be enhanced in this case, since information-related control concerns are abrogated due to the shifting of restructuring decision rights to the subordinated security holder.

The last benefit is specialization. The conduit lending process unbundles the traditional commercial real estate lending functions. This allows the conduit loan originator to specialize in screening/underwriting services. The separation of the restructuring and asset liquidation functions may be particularly efficient, because of the expensive initial investment cost of restructuring capacity, and the long lag times to build in-house expertise and scale benefits through specialization to result in higher default loss recoveries[18].

On the other hand, the conduit lenders have to pay some costs due to their loan process. As the first cost, the conduit originator underutilizes valuable information by selling the loan rather than retaining it. Ordinarily, through the origination process, the lender acquires borrower and property specific information that is often costly to communicate to others. Proprietary information may be valuable to the originator when the loan is held in portfolio and lending occurs repeatedly with the same borrower. However, the conduit lenders may liquidate it at a price that is less than the internal buy-and-hold value. These liquidation costs are offset by the

[18] This section is referred from "Forces Changing Real Estate For At Least A Little While: Market Structure And Growth Prospects Of The Conduit CMBS Market", by Professor Tim Riddiough, the Center for Real

above benefits of selling the loan to outsiders and then buying back securities.

The second cost is adverse selection concerns. That is, the conduit lender, which has the capacity for loan investment, and superior borrower and collateral property information, may have an incentive to sell the lower quality loans to the conduit and keep the higher quality loans for itself. This problem can be addressed by loan origination guidelines, conduits', especially rating agencies', monitoring and repeated business dealings.

Loan price stability is also an issue for the conduit lender. Traditional funding sources (bank and insurance company liabilities) are less prone to short-term price swings than securitized funding sources. Establishing a reputation for follow-through and short-term price stability may be an important component in building long-term lending relationships and increasing revenues over time.

Finally, as also mentioned in the borrower's costs section, conduit lenders tend to lose their flexibility in providing loans due to a scale efficiency which is not also likely to provide underwriting expertise in the local market.

The following table is a summary of the conduit loan's benefits and costs from the perspectives of borrowers and lenders.

Estate, Massachusetts Institute of Technology, February 2000.

Table 11: Benefits and Costs from the Borrowers and Lenders Perspectives

	Benefits	Costs
Borrower	Easy Access & Availability	Flexible & Customized Loan Program
	National Presence & Comprehensive Programs	Close Relationship with Lenders
	Disclosure of Historical Performance	Price Stability
	Larger Amount, Longer Non-Recourse Loan Program	
Lender	Liquidation	Underutilization of Value Information
	Information Risk Diversification	Adverse Selection Problem
	The Buying Back of Tailored Loans	Price Stability
	Specialization	Flexibility
		Lack of Local Expertise in Underwriting

5-4: IT Impact on Future Mortgage Choice

How will the current outstanding advance of information technology (IT) affect the borrower's and lender's perspectives? Since scale efficiency and information sharing among unbundled specialists are key success factors in conduit lending, IT will contribute to improvements in conduit lending. IT is creating new linkages between activities, and companies can now coordinate their actions more closely in their supply chain. Due to the unbundled loan process, information and communication technology can be the core functions that create fully integrated web-based loan application programs which can advertise products as well as capture and transmit information to increase revenues and reduce costs. As IT advances, higher quality and lower cost information can be expected and, thus, lower intermediate costs, greater liquidity and higher secondary market security prices can be true.[19] As a result, IT will make conduit-CMBS more competitive in the commercial mortgage market.

One of IT's outstanding characteristics is that it is likely to dissolve not only information friction but also inter-mediators in business. Currently, many commercial property borrowers employ mortgage brokers to search out the most preferable source of debt finance. A mortgage broker's best customer is the one who owns a number of well-located, larger "A"-quality properties. Such borrowers are the same as the larger whole lenders' target, with low cost finance at attractive terms. Because information friction is the lifeblood of brokers and because these brokers zealously protect their best customers, they will typically prefer to associate with lenders who do not freely share borrower and loan program information with third parties. Thus, certain whole lenders may intentionally hesitate to share information in order to protect their relations with the higher quality borrowers and their brokers.[20] However, as seen in most other industries, brokers and mediators have begun to be eroded from the market. Actually, on some traditional lenders' websites, we can now find a response sheet where one can ask for detailed information about borrowers as well as their collateral. As a result, mortgage brokers may have to find other ways to survive in a narrower market with deeper service.

Meanwhile, from the mid-long term perspective, conduit lenders (the originators) may not only consolidate with each other but also be merged by conduit underwriters in order to seek a more efficient lending process. Sustained growth opportunities suggest that competition will intensify between conduits, and increased competitiveness implies that suppliers will continue to seek ways to increase loan and security production efficiency. This suggests that consolidation will occur over time to realize scale benefits. Actually, many lenders have merged or become

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[19] "Determinants of Commercial Mortgage Choice" pp20, by Professor Tim Riddiough for The Transact 2000 Conference sponsored by the National Association of Realtors, August 2000.
[20] "Determinants of Commercial Mortgage Choice" pp16, by Professor Tim Riddiough for The Transact 2000 Conference sponsored by the National Association of Realtors, August 2000.

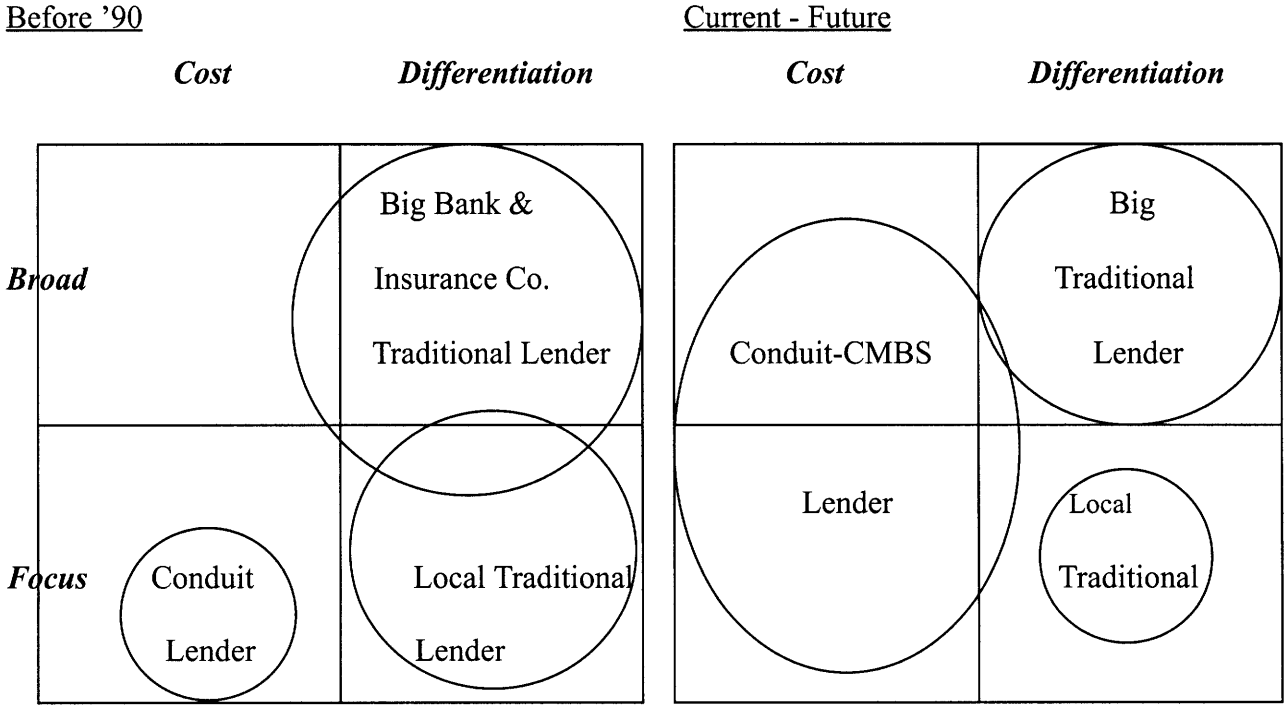
affiliated with others recently. For example, some conduit lenders are seeking to take full advantage by offering the most attractive comprehensive product line in the business through consolidation[21]. Also, IT may promote a vertical integration of the supply chain, which means that conduit lenders will be merged by conduit underwriters. On the other hand, scale benefits are limited by borrower demand for customized loan contracts and the fact that loan underwriting and restructuring decisions require local market knowledge. Finally, the disciplinary/regulatory role of the rating agency substitutes for similar effects gained from industry concentration in the residential market. This is an important element in CMBS market growth, and it reduces the fixed costs of participation and encourages entry.

Finally, I described past (before 1990) and current-future situations of the commercial mortgage market in accordance with Michel Porter's generic strategy matrix[22](See the Chart 2). The vertical line of the matrix shows the competitive scope: whether each lender's target is broad or narrow. In the following matrix, "broad" also includes the target of quality "A" property and "narrow" includes the target of quality "B" or poorer property, because there are few "A" properties in a local area. The horizontal line shows the competitive advantages, and whether the lender's strategy places an emphasis on low costs (standardization) or differentiation (customization). We can see that the traditional lender's strategy is based on differentiation, since it provides customized loan programs, while conduit lenders put the stress on standardized programs for scale efficiency. Also, the target of larger traditional lenders, such as big banks or insurance companies is nationwide, "A" property and the smaller traditional lenders' target is local "B" property. In this study, the latter is what we describe traditional lenders as result of

[21] Representative examples are Bank of America, First Union, Banc Ones, WWF and PNC.
[22] "Competitive Advantages" by Michael E. Porter, Free Press, New York, NY, 1998

our research through websites. In the past situation (before 1990) as shown in the left matrix, almost all the market was conquered by two traditional lenders except for a small niche of targeted poor quality seasoned mortgages with standardized programs. However, in the current-future situation of the market, the conduit-CMBS share is larger in order to compete head to head with both kinds of traditional lenders, while both traditional lenders' shares have shrunk due to the terrible commercial real estate recession around 1990. Which lenders can conquer the market depends on whether conduit lenders can override the vertical center line of the matrix; if they do, it means that they can satisfy specific borrowers' needs with customized loan products like traditional lenders. IT may make it possible for conduit lenders to provide both customized programs and scale efficiency.

Chart 2: Generic Strategy Matrix of Commercial Mortgage Lender



6. Closing Remarks

The conduit market has grown, and provides direct competition to traditional debt sources, and we all know that competition is a good thing. Given the choice between traditional money and conduit money, the borrower can determine, in accordance with the above study, which bundle of price and non-price characteristics best suits his/her needs.

Appendix1: Conduit vs Traditional Lender: Company, Loan, Property Type

Conduit Lender						Loan Type				Property Type					
		0:Conduit, 1:Non-Conduit	Company Type *	Operation Area (0:Local, 1:all)	Number of Loan Programs	Permanent	Mezzanine	Construction Loan	Bridge	Multifamily	Healthcare	Industrial	Office	Retail	Hotel/Hospitality
1	GMACCM	1	3	1	34	1	1	1	1	1	1	1	1	1	1
2	Key Bank	1	1	1	23	1	1	1	1	1	1	1	1	1	1
3	GE Capital	1	5	1	11	1	1	1	1	1	1	1	1	1	1
4	The Prudential Mortgage Capital	1	8	1	5	1	0	1	0	1	1	1	1	1	1
5	WMF	1	3	1	29	1	1	1	1	1	1	1	1	1	1
6	Column Financial	1	5	1	4	1	1	0	1	1	1	1	1	1	1
7	Boston American Financial Group Inc	1	5	1	5	1	1	1	1	1	1	1	1	1	1
8	Indy Mac	1	5	1	4	1	1	1	1	1	0	1	0	0	1
9	ARCS	1	3	1	8	1	1	0	1	1	1	1	1	1	1
10	American Property Finance Inc.	1	3	1	17	1	0	1	0	1	1	1	1	1	1
11	Johnson Capital Group Inc	1	3	0	4	1	0	0	1	1	1	1	1	1	1
12	Reilly Mortgage Group Inc.	1	3	1	16	1	0	1	1	1	1	1	1	1	1
13	Bankers Mutual	1	3	1	10	1	1	1	0	1	0	0	0	0	0
14	Continental Wingage	1	5	1	10	1	1	1	1	1	1	1	1	1	1
15	Banc One	1	1	1	1	1	1	1	1	1	1	0	0	0	0
16	Harbor Financial Mortgage Corp.	1	3	1	0	1	1	1	1	1	1	1	1	1	1
17	National Cooperative Bank	1	1	1	1	1	1	1	0	1	1	1	1	1	0
18	Mid-North Financial Service Inc	1	3	0	0	1	1	1	1	1	0	0	1	0	0
19	Parallel Capital Corporation	1	5	1	3	1	0	0	1	1	1	1	1	1	1
20	Southern Pacific Bank	1	1	0	0	1	0	0	0	1	0	0	0	0	0
21	Liberty Mortgage Acceptance Corp.	1	5	1	1	1	0	0	0	1	1	1	1	1	1
22	Bank of America	1	1	1	25	1	1	1	1	1	1	1	1	1	1
23	PW Funding Financing	1	3	1	17	1	1	1	0	1	1	1	1	1	0
24	David Cronheim Mortgage Corp.	1	4	0	0	1	1	1	0	0	0	1	1	1	0
25	Aries Capital	1	3	1	7	1	1	1	1	1	1	1	1	1	1
26	Newport Mortgage Company	1	3	0	10	1	0	0	0	1	1	1	1	1	1
27	Midland Mortgage Investmetn Corp.	1	3	1	3	1	0	1	1	1	1	1	1	1	1
28	KENSINGTON	1	4	0	3	1	0	0	0	1	1	1	1	1	1
29	Pacific Southwest Realty Services	1	3	0	1	1	0	0	0	1	1	1	1	1	1
30	Glaser Financial Group Inc.	1	3	1	15	1	0	1	0	1	1	0	0	0	0
31	Intervest Mortgage Investment Co	1	3	0	2	1	0	1	0	1	1	1	1	1	0
32	Wells Fargo	1	1	1	3	1	1	1	1	1	1	1	1	1	1
33	Malone Mortgage	1	3	1	13	1	0	1	0	1	1	1	1	1	1
34	First Union	1	6	1	21	1	1	1	1	1	1	1	1	1	1
35	AMRESCO Capital LP	1	10	1	8	1	0	1	0	1	1	1	1	1	1
36	Wachovia Bank	1	1	1	5	1	0	0	0	1	0	1	1	1	1
37	Chase Manhattan Bank	1	1	1	1	1	0	1	0	1	0	1	1	1	1
38	Bloomfiled	1	3	1	4	1	0	0	0	1	1	1	1	1	1
39	UBS Warburg	1	8	1	4	1	0	1	1	1	1	1	1	1	1
	Total	39		31	328	39	20	28	21	38	32	34	34	33	30
	Average/%			21%	8.4	100%	51%	72%	54%	97%	82%	87%	87%	85%	77%

Traditional Lender						Loan Type				Property Type					
		0:Conduit, 1:Non-Conduit	Company Type *	Operation Area (0:Local, 1:all)	Number of Loan Programs	Permanent	Mezzanine	Construction Loan	Bridge	Multifamily	Healthcare	Industrial	Office	Retail	Hotel/Hospitality
1	Principal Capital Management	1	8	1	9	1	0	1	1	1	1	1	1	1	1
2	Legg Mason Real Estate Sevices	1	3	0	0	1	1	1	1	1	1	1	1	1	1
3	Washington Mutual Saving Bank	1	2	0	4	1	0	0	0	1	0	1	1	1	0
4	Fermont Investment & Loan	1	10	1	3	1	1	1	1	1	0	1	1	1	0
5	First Security Bank	1	1	0	0	1	0	1	0	1	0	1	0	1	0
6	Queens County Saving Bank	1	1	0	0	1	0	1	0	1	0	0	0	1	0
7	M&T Bank	1	1	0	2	1	0	1	0	1	0	0	0	0	0
8	Total Bank	1	1	0	0	1	0	1	1	1	0	0	1	0	0
9	ORIX Real Estate Capital	1	10	0	11	1	0	0	0	1	1	1	1	1	1
10	Greenpoint Mortgage	1	1	0	5	1	0	1	0	1	0	0	0	1	0
11	TITAN	1	10	1	4	1	0	1	1	1	0	1	1	1	1
12	Kennedy Funding Inc	1	10	0	1	1	0	0	1	1	1	1	1	1	1
13	St. Paul Federal Bank	1	2	1	0	1	0	1	0	1	1	1	1	1	1
14	Southern Farm Bureau Life Insurance	1	8	0	0	1	0	0	0	1	0	1	1	1	0
15	Royal Bank of Pennsylvania	1	1	0	0	1	0	1	1	1	1	1	1	1	1
16	Astoria Federal S&L	1	2	0	1	1	0	0	0	1	0	0	1	1	0
17	First Republic Bank	1	2	1	0	1	0	1	0	1	0	1	1	1	0
18	Beal Bank	1	2	0	1	1	0	0	0	1	1	1	1	1	1
19	Brookline Saving Bank	1	2	0	1	1	0	0	0	1	0	1	1	1	0
20	Corus Bank	1	3	1	5	1	0	1	1	1	1	1	1	1	1
21	Sandiego National Bank	1	1	0	4	1	1	1	1	1	0	1	1	1	0
22	Ocean Bank	1	1	0	2	1	0	1	0	1	0	1	1	1	1
23	Southern California Bank	1	4	0	7	1	0	0	0	0	1	1	1	1	1
24	Barnett Financial Services Inc	1	3	0	1	1	0	1	0	1	1	1	1	1	1
25	Union Bank of Califorinia	1	1	0	7	1	0	1	0	1	0	1	1	1	0
26	HSBC Bank	1	1	1	3	1	0	1	0	1	0	1	1	1	0
27	NY Satets Teachers' Retirement Fund	1	9	0	0	1	0	0	0	1	0	1	1	0	1
28	Mercantile Trust & Saving Bank	1	3	0	0	1	0	1	0	1	0	1	1	1	0
29	Frost Bank	1	1	0	0	1	0	0	1	1	0	1	1	1	0
30	Heller Fiancial	1	1	1	10	1	1	1	0	1	1	1	1	1	1
32	Presidential Bank	1	2	0	3	1	0	1	0	1	1	1	1	1	1
33	United Commercial Bank	1	3	0	2	1	0	1	1	1	0	1	1	1	0
31	Union Planters Bank	1	1	0	2	1	0	1	0	1	0	1	1	1	1
34	Mann Financial Corporation	1	4	1	1	1	0	1	0	1	0	1	1	1	1
	Total	34		9	89	34	4	24	11	33	12	29	30	31	17
	Average/%			74%	2.6	100%	12%	71%	32%	97%	35%	85%	88%	91%	50%

*** Company Type**

Bank	1	Investment Banker	6
S&L	2	REIT	7
Mortgage Banker	3	Insurance Company	8
Mortgage Broker	4	Pension Fund	9
Commercial Conduit	5	Other	10

Appendix 2: Summary of Loan Program Comparison

Property	Conduit/Direct		Interests			oan Size		LTV&DSCR		Spread		Fee		Maturity				Restrictions				
			Filxed Rate	Flaoting Rate	Both	Min. Loan Size ($M)	Max. Loan Size($M)	Max.LTV	Min. DSCR	Min. Spread	Max. Spread	Min. Origination Fees(%)	Max. Origination Fees(%)	Min. Maturity	Max. Maturity	Min. Amortization	Max. Amortization	Second Mtg Avairablity	Prepayment Penalty	Assumability	Max. Time to Loan Closing	Non-recourse
Multifamily	**Conduit Conforming**	*Average/Total*	20	3	3	1.56	37.50	81.6%	1.17	153.3	189.2	1.1%	1.5%	6.1	28.2	25.0	32.0	2	20	18	60.1	
		Standard Diviation/%	76.9%	11.5%	11.5%	0.78	14.43	2.9%	0.09	24.0	25.8	0.7%	0.8%	2.0	8.4	0.0	2.5	12%	77%	69%	0.0	96.2%
	Conduit Non-Conforming	*Average/Total*	43	4	6	1.41	87.69	79.9%	1.23	170.5	248	1.0%	1.2%	6.7	17.1	18.2	29.7	14	39	31	57.4	
		Standard Diviation/%	81.1%	7.5%	11.3%	1.82	122.2	3.3%	0.03	36.6	70.9	0.3%	0.6%	2.1	8.0	6.6	1.3	70%	93%	58%	0.0	89.1%
	Direct	*Average/Total*	15	11	9	1.01	18.03	77.2%	1.21	231.7	321.7	1.1%	1.3%	8.4	14.2	14.4	25.9	3	8	3	50.0	
		Standard Diviation/%	42.9%	31.4%	25.7%	1.22	14.36	6.2%	0.07	41.6	56.1	0.4%	0.5%	2.7	9.1	6.3	6.1	30%	57%	9%	0.0	7.1%
Office	**Conduit**	*Average/Total*	36	2	9	1.54	40.38	76.6%	1.25	196.9	290.2	1.0%	1.1%	6.7	15.4	17.0	28.8	13	31	27	56.4	
		Standard Diviation/%	76.6%	4.3%	19.1%	1.83	35.73	3.1%	0.04	44.3	69.1	0.2%	0.4%	1.6	6.8	5.6	2.2	93%	91%	57%	17.1	90.5%
	Direct	*Average/Total*	12	9	13	1.53	20.92	75.3%	1.23	238.3	327.5	1.1%	1.3%	6.5	12.2	16.7	25.4	1	4	2	45.0	
		Standard Diviation/%	33.3%	25.0%	36.1%	1.62	14.30	5.3%	0.09	40.0	54.7	0.4%	0.5%	3.1	9.0	6.8	6.2	20%	36%	6%	17.3	41.7%
Retail	**Conduit**	*Average/Total*	36	2	8	1.54	40.38	77.7%	1.24	190	291.4	1.0%	1.1%	6.7	15.4	17.6	29.3	13	31	27	56.4	
		Standard Diviation/%	78.3%	5.6%	17.4%	1.83	35.73	2.7%	0.03	46.3	67.6	0.2%	0.4%	1.6	6.8	6.5	1.8	93%	91%	69%	17.1	90.5%
	Direct	*Average/Total*	12	9	14	1.16	24.42	76.1%	1.23	238.3	329.2	1.1%	1.3%	6.3	12.6	16.7	25.4	1	4	2	45.0	
		Standard Diviation/%	31.6%	23.7%	36.8%	1.32	14.11	6.1%	0.09	40.0	53.4	0.4%	0.5%	2.9	9.1	6.8	6.2	20%	36%	5%	17.3	40.0%

Appendix 5: Multifamily/Traditional/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions										Closing		Entity	
		Program Number	Filxed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairablity (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Require)	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	Principal Capital Management	2	1	0	0	35		65%	1.40		10		30	1	LO/DS			TR								1	1		60	60	1	1
	Principal Capital Management	3	0	1	0	2	50	75%	1.20					0				LIBOR	0.5%	0.5%				4%			1					
2	Legg Mason Real Estate Sevices	1	1	0	0	0.5		85%	1.20																						
3	Washington Mutual Saving Bank	1	1	0	0	0.1	15	75%	1.15	10	30	15	30	1	YM	215	310	CMT	1.0%	1.5%												0
	Washington Mutual Saving Bank	2	0	1	0	0.1	15	75%	1.15	10	30	15	30	0		220	310	MTA	1.0%	1.8%												0
4	Fermont Investment & Loan	1	0	1	0	5	40	75%	1.20		5		25	0		300	375	LIBOR	1.0%	1.0%	0											1
5	First Security Bank	1	1	0	0	0.75		82%	1.25																							
6	Queens County Saving Bank	1	0	0	1	1		75%	1.20																							
7	M&T Bank	1	1	0	0	0.5	35	75%	1.20	10	30										1											
9	ORIX Real Estate Capital	1	1	0	0	2		80%	1.25		10		30	0	LO	230	285	TR			1	1				1	1		60	60		1
10	Greenpoint Mortgage	1	1	0	0	0.4	3	70%	1.20	10	15	10	15	1							0	1					0					0
	Greenpoint Mortgage	2	1	0	0	0.5	0.5	70%	1.20	10	30	10	30	1							0						0					0
	Greenpoint Mortgage	3	1	0	0	0.03	0.4	70%	1.20	10	20	10	20	1							0						0					0
	Greenpoint Mortgage	4	0	1	0	0.03	0.4	70%	1.20	10	20			1				TR			0						0					0
11	TITAN	1	1	0	0	0.5	30	75%	1.20		5			0	LO				2.0%	2.0%						1	1				1	0
13	St. Paul Federal Bank	1	0	1	0	0.5	10	80%	1.15				30																			
14	Southern Farm Bureau Life Insurance	1	0	1	0	2	15	75%	1.25																							
15	Royal Bank of Pennsylvania	1	0	1	0	1	8.5		1.20																							
16	Astoria Federal S&L	1	0	0	1		1	70%	1.30	10	25																					
18	Beal Bank	1	0	1	0	3	30	90%			5																					0
19	Brooklinesaving Bank	1	0	0	1			75%	1.30	5	10	5	10																			
21	Sandiego National Bank	1	0	0	1			90%		7	25			0							0											
	Sandiego National Bank	2	0	0	1					5	10	20	30								0											
	Sandiego National Bank	3	0	1	0						2																					
22	Ocean Bank	1	0	0	1	0.15	1	90%																								
25	Union Bank of Californinia	1	1	0	0	1	30	80%	1.15	10	15	25	30	1	LO/DS			TR	1.0%	1.0%	1	1	95%			1	1	250				0
26	HSBC Bank	1	0	0	1			75%			7							TR/LIBOR											30	30		0
28	Mercantile Trust & Saving Bank	1	1	0	0			80%			15		25																			
29	Frost Bank	1	0	0	1	0.1	2.5	85%																								
30	Heller Fiancial	1	0	0	1	1	30	80%	1.25		10	20	30	1	DS				1.0%	1.0%				20-35								1
	Heller Fiancial	2	0	1	0	4	30	80%	1.00	2	5					250	400	LIBOR	1.0%	2.0%												
31	Presidential Bank	1	1	0	0	0.1	2.5	75%	1.20		10		25					TR	1.0%	1.0%												
	Presidential Bank	2	0	1	0	0.1	2.5	75%	1.20		10		25					Prime Rate	1.0%	1.0%												
33	Union Planters Bank	1	1	0	0	1	35				5					175	250	TR														
34	Mann Financial Corporation	1	1	0	0			75%			10							TR														
	Average/Total	35	15	11	9	1.0	18.0	77.2%	1.21	8.4	14	14	26	8		232	322		1.1%	1.3%	3	3							50	50		
	Standard Diviation/%		43%	31%	26%	1.2	14.4	6.2%	0.07	2.7	9.1	6.3	6.1	57%		41.6	56.1		0.4%	0.5%	30%	9%										7.1%

* CMT: Constant Maturity Index MTA: 12 month moving Treasury average

Appendix 4: Multifamily/Non Conforming-Conduit/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions										Closing		Entity	
		Program Number	Filxed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No P., 1:P)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairablity	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Yes)	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	GMACCM	1	1	0	0	0.5	5	80%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1	150	45	60	1	1
	GMACCM	2	1	0	0	5		80%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1	150	45	60	1	1
2	Key Bank	1	1	0	0	2		80%	1.20	7	10	25	30	1	DS	202	235	TR	1.0%	1.0%	1	1			17.5	1	1					1
	Key Bank	2	1	0	0	0.25	2	80%	1.25	7	10	25	30	1	LO/YM	235	303	TR	1.0%	1.0%	1	1	85%		2.5	1	1					0
	Key Bank	3	1	0	0	1		80%	1.25	5	18	25	30	1	YM	190	210	TR	1.0%	1.0%			90%			1	1					
3	GE Capital	1	1	0	0	2	100	80%	1.20	7	25		30			140	200	TR	1.0%	1.0%		1				1	1				1	1
4	The Prudential Mortgage Capital	1	0	0	1	1	200	80%	1.20	7	15	25	30														1					1
5	WMF	1	1	0	0	0.25	35	80%	1.20		10		30	1	DS							1					1					1
	WMF	2	1	0	0	3	15	80%	1.25	7	10	25	30	1	YM/DS						0						1					
6	Column Financial	1	1	0	0	1		80%	1.20	7	20			1	LO/DS						0			2%			1		25	25		1
	Column Financial	2	1	0	0	0.5	3.5	80%	1.20	7	20			1	LO/DS									7.5-8.5			1		30	45		1
7	Boston American Financial Group Inc	1	1	0	0	10					10		25	1	LO/P						1	1				1	1		60	60	1	1
8	Indy Mac	1	1	0	0	0.3	3	95%		15	30			1	P						0											1
9	ARCS	1	1	0	0	2	100	80%	1.25	5	30	5	30	1	YM	140	185	TR	1.0%	2.0%		1	90%	2%		1	1	150				1
	ARCS	2	1	0	0	2	75	80%	1.25	5	30	5	30	1	YM	140	185	TR	1.0%	1.0%	0		90%	2%		1	1	150				1
	ARCS	3	1	0	0	0.5	3	80%	1.25	7	30	15	30	1	YM	115	200	TR	1.0%	1.0%		1	90%	1%		1	1					1
	ARCS	4	0	1	0	0.5	3	80%	1.25	7	30	15	30	1	YM	165	185	TR	1.0%	1.0%		1	90%	1%		1	1					1
	ARCS	5	1	0	0	2		80%	1.20	7	10		30	1		140	200	TR	1.0%	1.0%			85%	2%		1	1					1
11	Johnson Capital Group Inc	1	1	0	0	1		80%	1.25	5	20	10	30	1	DS/YM				1.0%	1.0%							1					1
	Johnson Capital Group Inc	2	1	0	0	3		75%	1.20	5	20	10	30	1	YM			TR	1.0%	1.0%												
12	Reilly Mortgage Group Inc.	1	1	0	0	1		80%	1.20	7	30	25	30	1	YM							1		2%	1%		1		45	60		1
	Reilly Mortgage Group Inc.	2	1	0	0	1	15	75%	1.20	7	30	25	30									1		2%		1					1	1
14	Continental Wingage	1	1	0	0	2		80%	1.25	7	25	25	30	1	LO/YM/I	175	205	TR	2.0%	2.0%	1	1	85%			1	1		30	60		1
17	National Cooperative Bank	1	1	0	0	1	40	75%	1.35		10		30	1	LO/DS			TR						1%			1		45	45	1	1
19	Parallel Capital Corporation	1	1	0	0	0.15	2	75%	1.25	10	20																					
	Parallel Capital Corporation	2	1	0	0	2	50	80%	1.25		10																					
21	Liberty Mortgage Acceptance Corp.	1	1	0	0	3	150	80%	1.25	7	15	25	30	1	LO/DS	170	275	TR	1.0%	1.0%		1				1	1					1
22	Bank of America	1	1	0	0	1.5		80%	1.20	5	10		30	1	DS	175	245	TR	1.0%	1.0%		1					1	200	60	60	1	1
	Bank of America	2	0	0	1	1		80%	1.20		3	20	30	1	LO/DS	175	250	LIBOR	0.5%	1.0%	1	1					1				1	1
	Bank of America	3	1	0	0	0.25	2	80%	1.25	5	20	20	30	1	P	185	260	TR	1.0%	2.0%	1	1					1					0
	Bank of America	4	1	0	0	0.25	2	80%	1.25	5	20	20	30	1	P	155	215	TR	1.0%	2.0%	1	1					1					0
	Bank of America	5	0	1	0	0.25	2	80%	1.25	3	7	20	30	1	P	175	275	LIBOR	1.0%	2.0%	1	1					1					0
23	PW Funding Financing	1	1	0	0	3		80%	1.20	7	15		30	1	YM/DS				1.0%	1.0%	1	1	85%			1	1		45	45	1	1
25	Aries Capital	1	1	0	0	2	50	80%	1.20		10		30	1	YM/DS	225	225	TR	1.0%	1.0%		1	95%	15		1	1	250	45	60		1
	Aries Capital	2	0	0	1	0.75	2	80%	1.25	5	10		30	1	YM/DS	240	240	TR	2.0%	3.0%		1	95%	6		1	1	250	45	60		0
26	Newport Mortgage Company	1	0	0	1	1	50	80%	1.20	7	25		30	1	YM			TR/LIBOR				1	85%			1	1					1
27	Midland Mortgage Investmetn Corp.	1	1	0	0	1	25	80%	1.25	10	20		30	0				TR	1.0%	1.0%	1	1		1%		1	1		60	60		1
28	KENSINGTON	1	1	0	0	2	20	79%	1.15	5	25	15	30	0					1.0%	1.0%							1		90	90		1
	KENSINGTON	2	1	0	0	2		80%	1.25	10	20		30						1.0%	1.0%							1		90	90		1
29	Pacific Southwest Realty Services	1	0	0	1	2		80%	1.20	5	20	15	30			125	350	TR/LIBOR	1.0%	1.0%							1					
31	Intervest Mortgage Investment Co	1	1	0	0	1	20		1.20		10		25																			
32	Wells Fargo	1	1	0	0	1	50	80%	1.25	5	20	20	30	1	LO/P	140	300	TR	1.0%	1.0%		1	90%				1		45	60		1
	Wells Fargo	2	0	1	0	2	15	70%	1.20		2					225	250	LIBOR	0.5%	0.5%							1		45	60		1
	Wells Fargo	3	1	0	0	0.8	2.5	80%	1.25	10	20	20	30	1	LO/P	135	300	TR				1					1		30	45		1
33	Malone Mortgage	1	1	0	0	1	25	80%	1.20	5	25	25	30	0		125	160	TR				1			10.8		1					1
34	First Union	1	1	0	0	2		80%	1.20		10		30	1	DS						0											1
	First Union	2	1	0	0	0.5	2	80%	1.20	7	10		30	1	DS				1.0%	1.0%	0			7								1
35	AMRESCO Capital LP	1	1	0	0	1	5	80%	1.25	7	20		25	1	LO/YM			TR	1.0%	1.0%	1	1		2%		1	1		45	45	1	1
36	Wachovia Bank	1	1	0	0																											1
37	Chase Manhattan Bank	1	1	0	0	3		80%	1.20	7	10		30	1	DS			TR	1.0%	1.0%		1			20		1					1
38	Bloomfiled	1	1	0	0	1		80%	1.20	5	10	10	30	1	LO/DS				1.0%	1.0%	1	1	95%	1.5%	10	1	1	250			1	1
	Bloomfiled	2	0	1	0	1		90%	1.20		2	10	30	1	EC	200	500	LIBOR	1.0%	1.0%		1	95%	1.5%	10	1	1	250			1	1
39	UBS Warburg	1	0	0	1	0.5	500																									1
	Average/Total	53	43	4	6	1.4	87.7	79.9%	1.23	6.7	17	18	30	39		171	248		1.0%	1.2%	14	31	89.7%						49	57		
	Standard Diviation/%		81%	8%	11%	1.8	122	3.3%	0.03	2.1	8	6.6	1.3	93%		36.6	70.9		0.3%	0.6%	70%	58%	4.0%									89.1%

Appendix 3: Multifamily/Conforming-Conduit/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions										Closing		Entity	
		Program Number	Fixed Rate(0:No,1:Yes)	Floating Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairablity (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Require	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	GMACCM	1	1	0	0	1	50	77%	1.25	5	30		30	1	YM				1.0%	1.0%	0		90%	2%	15-20	1	1	150	60	90	0	1
	GMACCM	2	1	0	0	1.5		85%	1.18		35		35	0					3.5%	3.5%	1	1	90%			1	1		60	100	1	1
5	WMF	1	1	0	0	3		80%	1.25	5	30		30	1	YM/DS						0						1					1
	WMF	2	0	1	0	3		78%	1.00	7	10		30	1	FM						0						1					1
	WMF	3	1	0	0			85%	1.18		35		35	1	LO/P						0	1					1					1
10	American Property Finance Inc.	1	1	0	0	1	100	80%	1.25	5	30	25	30	1	YM				1.0%	1.0%	0		90%			1	1		60	60		1
	American Property Finance Inc.	2	1	0	0	3		85%	1.17		30		35	0	LO	130	150	TR	1.3%	1.8%							1					1
	American Property Finance Inc.	3	1	0	0	1	50	80%	1.25	5	30		30	1	YM				0.1%	0.2%	0		90%			1	1		30	30		1
	American Property Finance Inc.	4	0	1	0			80%	1.00	7	10		30	1	LO/FM			LIBOR	1.0%	1.0%	0	1	90%			1	1		45	60		1
12	Reilly Mortgage Group Inc.	1	0	0	1	2.5		80%	1.20	5	30	25	30	1	YM						0											1
	Reilly Mortgage Group Inc.	2	1	0	0			85%	1.17		30		35	0													1					1
13	Bankers Mutual	1	1	0	0	3.5	50	80%	1.25		30		30	1	YM				1.0%	1.5%	0	1					1		5	21	1	1
	Bankers Mutual	2	0	1	0	3	20	80%	1.00		10			1	LO/P	120	220	LIBOR	1.0%	1.5%	0	1	90%			1	1					1
	Bankers Mutual	3	1	0	0	0.75	3	80%	1.25		30		30	1	YM				1.0%	1.5%		1										1
14	Continental Wingage	1	1	0	0	2.5		80%	1.25	5	30	25	30	1	YM	180	200	TR			1	1	90%			1	1		30	60		1
	Continental Wingage	2	1	0	0	2.5		85%	1.17		35		35	0		160	180	TR	0.3%	0.3%	0	1				1	1		30	60		1
23	PW Funding Financing	1	1	0	0	2	25	80%	1.25	7	30		30	1	YM/DS				1.0%	1.0%	0	1	90%			1	1		45	45	1	1
	PW Funding Financing	2	1	0	0	2		85%	1.17		35		35	1	LO/P				2.5%	2.5%		1	85%				1				1	1
	PW Funding Financing	3	0	0	1	2	25	78%	1.00	7	10		30	0	LO	155	210	LIBOR	1.0%	1.0%	0	1	90%			1	1		45	45	1	1
25	Aries Capital	1	1	0	0	2	50	80%	1.20		30		30	1	YM/DS	175	175	TR	1.0%	1.0%		1	95%	15		1	1	250	60	90		1
26	Newport Mortgage Company	1	0	0	1	1		80%	1.15	5	30	25	30	1	YM				1.0%	2.0%		1	90%			1	1					1
	Newport Mortgage Company	2	1	0	0	1.5		85%	1.17		35		35	0				TR	1.0%	3.0%		1	85%			1	1					1
30	Glaser Financial Group Inc.	1	1	0	0	1		80%	1.25	3	30		30	1	YM				1.0%	1.5%		1	90%	2%			1				1	1
	Glaser Financial Group Inc.	2	1	0	0	1		85%	1.17				35	1	LO				1.0%	1.5%		1		1		1	1					1
33	Malone Mortgage	1	1	0	0	1	25	85%	1.20	10	35		35	1	LO/P				1.0%	2.0%	0	1				1	1					1
35	AMRESCO Capital LP	1	1	0	0	1		85%		10	35		35	1	LO/P				1.0%	2.0%	0	1				1	1					1
	Average/Total	26	20	3	3	1.6	37.5	81.6%	1.17	6.1	28	25	32	20		153	189		1.1%	1.5%	2	18	89.6%						43	60		
	Standard Diviation/%		77%	12%	12%	0.8	14.4	2.9%	0.09	2	8.4	0	2.5	77%		24	25.8		0.7%	0.8%	12%	69%	2.4%									96.2%

* LO: Lock-out YM: Yield Maintenance DS: Defeasance P: Penalty EC: Exit Charge

Appendix 6: Office/Conduit/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions									Closing		Entity	
		Program Number	Filxed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairability (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Require	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	GMACCM	1	1	0	0	0.25	5	75%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1		45	60		1
	GMACCM	2	1	0	0	5		75%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1		45	60	1	1
2	Key Bank	1	1	0	0	2		75%	1.25	7	10		25	1	DS	218	255		1.0%	1.0%	1	1			18	1	1		30	30		1
	Key Bank	2	1	0	0	0.25	2	75%	1.25	7	10		25	1	LO/YM	280	348		1.0%	1.0%	1	1			2.5	1	1		30	30		0
3	GE Capital	1	1	0	0	2		80%	1.25	7	10		30			175	215		1.0%	1.0%		1				1	1				1	1
4	The Prudential Mortgage Capital	1	0	0	1	1	20	75%	1.25	7	15	25	30																			1
5	WMF	1	1	0	0	0.25	35	80%	1.20		10		30	1	DS							1										1
6	Column Financial	1	1	0	0	1		80%	1.20	7	20			1	LO/DS														25	25		1
	Column Financial	2	1	0	0	0.5	2.5	75%	1.25	7	20			1	LO/DS														30	45		1
7	Boston American Financial Group Inc	1	1	0	0	10					10		25	1	LO/P						0	1				1	1		60	60	1	1
9	ARCS	1	1	0	0	2	35	80%	1.25	7	10		30	1	DS	175	215	TR	1.0%	1.0%		1		2%		1	1					1
10	American Property Finance Inc.	1	0	0	1	1	20	80%	1.20	5	20	25	30	1	LO/YM						0	1	85%			1	1	1				1
11	Johnson Capital Group Inc	1	1	0	0	1		80%	1.25	5	20	10	30	1	DS/YM				1.0%	1.0%							1					1
	Johnson Capital Group Inc	2	1	0	0	3		75%	1.20	5	20	10	30	1	YM			TR	1.0%	1.0%												1
12	Reilly Mortgage Group Inc.	1	1	0	0	1		80%	1.20	7	30	25	30	1	YM							1		2%	1%		1		45	60		1
14	Continental Wingage	1	1	0	0	2		80%	1.25	7	25		30	1	LO/YM/DS	210	235	TR			1	1	85%			1	1	0.2	30	60		1
16	Harbor Financial Mortgage Corp.	0	0	0	1																											
17	National Cooperative Bank	1	1	0	0	1	40	75%	1.35		10		30	1	LO/DS			TR						1%			1		45	45	1	1
18	Mid-North Financial Service Inc	0	0	0	1																											
19	Parallel Capital Corporation	1	1	0	0	0.15	2	75%	1.30	10	20																					0
	Parallel Capital Corporation	2	1	0	0	2	50	75%	1.25		10																					1
21	Liberty Mortgage Acceptance Corp.	1	1	0	0	3	150	80%	1.30	7	15		25	1	LO/DS	190	350	TR	1.0%	1.0%		1				1	1					1
22	Bank of America	1	1	0	0	1.5		75%	1.25	5	10		25	1	DS	180	280	TR	1.0%	1.0%		1					1	.15-.2	60	60	1	1
	Bank of America	2	0	0	1	1		75%	1.25		3	20	30	1	LO/DS	175	250	LIBOR	0.5%	1.0%	1	1					1				1	1
	Bank of America	3	1	0	0	0.25	2	75%	1.25	5	20	20	25	1	P	230	300	TR	1.0%	2.0%	1	1					1					0
23	PW Funding Financing	1	1	0	0	3		75%	1.30	7	15		25	1	YM/DS				1.0%	1.0%	1	1	85%	20		1	1		60	80	1	1
24	David Cronheim Mortgage Corp	0	0	0	1																											
25	Aries Capital	1	1	0	0	2	50	75%	1.25		10		30	1	YM/DS	250	250	TR/LIBOR	1.0%	1.0%		1	90%	15		1	1	0.2	45	60		1
	Aries Capital	2	0	0	1	0.75	2	75%	1.30	5	10		30	1	YM/DS	265	265	TR/LIBOR	2.0%	3.0%		1	90%	6		1	1	0.2	45	60		0
26	Newport Mortgage Company	1	0	0	1	1		80%	1.25	7	25		30	1	YM			TR/LIBOR				1				1	1					1
27	Midland Mortgage Investmetn Corp.	1	1	0	0	1	25	75%	1.25	10	20		30	0					1.0%	1.0%	1	1		1%		1	1		60	60		1
28	KENSINGTON	1	1	0	0	2	20	79%	1.25	5	25	15	30	0					1.0%	1.0%							1		90	90		1
	KENSINGTON	2	1	0	0	2		80%	1.25	10	20		30						1.0%	1.0%							1		90	90		1
29	Pacific Southwest Realty Services	1	0	0	1	2		75%	1.20	5	20	15	30			125	350	TR/LIBOR	1.0%	1.0%							1					1
31	Intervest Mortgage Investment Co	1	1	0	0	1	20		1.20																							1
32	Wells Fargo	1	1	0	0	1	50	80%	1.30	5	20	20	30	1	LO/P	140	300	TR	1.0%	1.0%		1	90%				1		45	60		1
	Wells Fargo	2	0	1	0	2	15	65%	1.35		2	IO				225	250	LIBOR	0.5%	0.5%							1		45	60		1
	Wells Fargo	3	1	0	0	0.8	2.5	75%	1.30	10	20	20	30	1	LO/P	135	300	TR				1					1		30	45		1
33	Malone Mortgage	1	1	0	0	1	25	80%	1.20	5	25		25	0		175	270	TR				1			11		1					1
34	First Union	1	1	0	0	2		75%	1.25	7	10		30	1	DS						1											1
	First Union	2	1	0	0	0.5	2	75%	1.25	7	10		30	1	DS				1.0%	1.0%	1				7							1
35	AMRESCO Capital LP	1	1	0	0	1	5	75%	1.25	7	20		25	1	LO/YM			TR	1.0%	1.0%	1	1		2%		1	1		45	45	1	1
36	Wachovia Bank	0	1	0	0																											
37	Chase Manhattan Bank	1	1	0	0	3		80%	1.25	7	10		30	1	DS				1.0%	1.0%		1			20		1					1
38	Bloomfiled	1	1	0	0	2		75%	1.25	5	10	10	30	1	LO/DS				1.0%	1.0%	1	1	93%	1.5%	10	1	1	0.2			1	1
	Bloomfiled	2	0	1	0	2		75%	1.25		2	10	30	1	EXCHG	200	500	LIBOR	1.0%	1.0%		1	93%	1.5%	10	1	1	0.2			1	1
39	UBS Warburg	0	1	0	0																											
	Average/Total	47	36	2	9	1.5	40.4	76.6%	1.25	6.7	15	17	29	31		197	290		1.0%	1.1%	13	27							48	56.4		
	Standard Diviation/%		77%	4%	19%	1.8	35.7	3.1%	0.04	1.6	6.8	5.6	2.2	91%		44.3	69		0.2%	0.4%	93%	57%							18	17.1		90.5%

Appendix 7: Office/Traditional/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions									Closing		Entity	
		Program Number	Filxed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairability (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Require)	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	Principal Capital Management	1	1	0	0	35		65%	1.40		10		30	1	LO/DS			TR								1	1		60	60	1	1
	Principal Capital Management	2	0	1	0	2	50	75%	1.20					0				LIBOR	0.5%	0.5%				4%			1					1
2	Legg Mason Real Estate Sevices	0	1	0	0																										
3	Washington Mutual Saving Bank	1	1	0	0	1	10	75%	1.20		10	15	25	1	YM	235	325	CMT	1.0%	1.5%												0
	Washington Mutual Saving Bank	2	0	1	0	1	10	75%	1.20	10	30	15	25	0		235	325	MTA	1.0%	1.8%												0
4	Fermont Investment & Loan	1	0	1	0	5	40	75%	1.20		5		25	0		300	375	LIBOR	1.0%	1.0%	0											1
8	Total Bank	0	0	0	1																										
9	ORIX Real Estate Capital	1	1	0	0	2		75%	1.25		10		30	0	LO	235	290	TR			1	1					1		60	60		1
11	TITAN	1	1	0	0	0.5	30	75%			5			0	LO				2.0%	2.0%						1	1				1	0
12	Kennedy Funding Inc	0	0	0	1			80%			30		30					TR														
13	St. Paul Federal Bank	0	0	0	1																										
14	Southern Farm Bureau Life Insurance	0	0	1	0																										
15	Royal Bank of Pennsylvania	0	0	1	0																										
16	Astoria Federal S&L	0	0	1	0																										
17	First Republic Bank	0	0	0	1						30							TR/LIBOR														
18	Beal Bank	0	0	0	1	3	30				5																					0
19	Brooklinesaving Bank	1	0	0	1			75%	1.30	5	10	5	10																			
20	Corus Bank	0	0	0	1	5	30																									
21	Sandiego National Bank	1	0	0	1			90%		7	25			0							0											
	Sandiego National Bank	2	0	0	1					5	10	20	30								0											
	Sandiego National Bank	3	0	1	0						2																					
22	Ocean Bank	0	0	0	1																											
23	Southern California Bank	1	1	0	0	0.75	6	65%	1.25					0																		0
24	Barnett Financial Services Inc	0				0.01	5																							21	30		
25	Union Bank of Califorinia	1	1	0	0	1	30	75%	1.20	10	15	25	30	1	LO/DS				1.0%	1.0%	0	1	95%			1	1	1.2				0
26	HSBC Bank	1	0	0	1			75%			7							TR/LIBOR											30	30		0
27	NY Satets Teachers' Retirement Fund	0																														
28	Mercantile Trust & Saving Bank	0	1	0	0																											
29	Frost Bank	0	1	0	0	0.1	2.5																									
30	Heller Fiancial	1	0	0	1	1	30	75%	1.25		10	20	30	1	DS				1.0%	1.0%				20-35								1
	Heller Fiancial	2	0	1	0	4	30	80%	1.00	2	5					250	400	LIBOR	1.0%	2.0%												
31	Presidential Bank	1	1	0	0	0.1	2.5	75%	1.25		10		20					TR	1.0%	1.0%												
	Presidential Bank	2	0	1	0	0.1	2.5	75%	1.25		10		20					Prime Rate	1.0%	1.0%												
32	United Commercial Bank	0	0	0	1	0.5																										
33	Union Planters Bank	1	1	0	0	1	35				5					175	250	TR														
34	Mann Financial Corporation	1	1	0	0			75%										TR														
	Average/Total	36	12	9	13	1.5	20.9	75.3%	1.23	6.5	12	17	25	4		238	328		1.1%	1.3%	1	2							43	45		
	Standard Diviation/%		33%	25%	36%	1.6	14.3	5.3%	0.09	3.1	9	6.8	6.2	36%		40	55		0.4%	0.5%	20%	6%							17	17.3		41.7%

CMT: Constant Maturity Treasury Index MTA: 12month moving Treasury average

Appendix 8: Retail/Conduit/Permanent, Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions										Closing		Entity	
		Program Number	Fixed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairability (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No. 1:Require)	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max.Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	GMACCM	1	1	0	0	0.25	5	75%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1		45	60	1	1
	GMACCM	2	1	0	0	5		75%	1.25	7	20	15	30	1	LO/DS				1.0%	1.0%	1	1				1	1		45	60	1	1
2	Key Bank	1	1	0	0	2		80%	1.20	7	10	25	30	1	DS	210	275		1.0%	1.0%	1	1			18	1	1		30	30		1
	Key Bank	2	1	0	0	0.25	2	75%	1.25	7	10		25	1	LO/YM	275	353		1.0%	1.0%	1	1			2.5	1	1		30	30		0
3	GE Capital	1	1	0	0	2		80%	1.25	7	10		30			160	230		1.0%	1.0%		1				1	1				1	1
4	The Prudential Mortgage Capital	1	0	0	1	1	20	80%	1.25	7	15	25	30																			1
5	WMF	1	1	0	0	0.25	35	80%	1.20		10		30	1	DS							1										1
6	Column Financial	1	1	0	0	1		80%	1.20	7	20			1	LO/DS														25	25		1
	Column Financial	2	1	0	0	0.5	2.5	75%	1.25	7	20			1	LO/DS														30	45		1
7	Boston American Financial Group Inc	1	1	0	0	10					10		25	1	LO/P						0	1				1	1		60	60	1	1
9	ARCS	1	1	0	0	2	35	80%	1.25	7	10		30	1	DS	160	215	TR	1.0%	1.0%		1		2%		1	1					1
10	American Property Finance Inc.	1	0	0	1	1	20	80%	1.20	5	20	25	30	1	LO/YM						0	1	85%			1	1	.25-.65				1
11	Johnson Capital Group Inc	1	1	0	0	1		80%	1.25	5	20	10	30	1	DS/YM				1.0%	1.0%							1					1
	Johnson Capital Group Inc	2	1	0	0	3		75%	1.20	5	20	10	30	1	YM			TR	1.0%	1.0%												1
12	Reilly Mortgage Group Inc.	1	1	0	0	1		80%	1.20	7	30	25	30	1	YM							1		2%	1%		1		45	60		1
14	Continental Wingage	1	1	0	0	2		80%	1.25	7	25		30	1	LO/YM/DS	185	275	TR			1	1	85%			1	1	0.15	30	60		1
16	Harbor Financial Mortgage Corp.	0	0	0	1																											
17	National Cooperative Bank	1	1	0	0	1	40	75%	1.35		10		30	1	LO/DS			TR						1%			1		45	45	1	1
19	Parallel Capital Corporation	1	1	0	0	0.15	2	75%	1.30	10	20																					0
	Parallel Capital Corporation	2	1	0	0	2	50	75%	1.25		10																					1
21	Liberty Mortgage Acceptance Corp.	1	1	0	0	3	150	80%	1.25	7	15	25	30	1	LO/DS	185	325	TR	1.0%	1.0%		1				1	1					1
22	Bank of America	1	1	0	0	1.5		80%	1.20	5	10	5	30	1	DS	180	270	TR	1.0%	1.0%		1					1	.10-.2	60	60	1	1
	Bank of America	2	0	0	1	1		80%	1.20		3	20	30	1	LO/DS	175	250	LIBOR	0.5%	1.0%	1	1					1				1	1
	Bank of America	3	1	0	0	0.25	2	75%	1.25	5	20	20	30	1	P	225	295	TR	1.0%	2.0%	1	1					1					0
23	PW Funding Financing	1	1	0	0	3		75%	1.30	7	15		25	1	YM/DS				1.0%	1.0%	1	1	85%	20		1	1		60	80	1	1
24	David Cronheim Mortgage Corp.	0	0	0	1																											
25	Aries Capital	1	1	0	0	2	50	80%	1.30		10		30	1	YM/DS	250	275	TR/LIBOR	1.0%	1.0%		1	90%	15		1	1	0.2	45	60		1
	Aries Capital	2	0	0	1	0.75	2	75%	1.30	5	10	25	30	1	YM/DS	265	280	TR/LIBOR	2.0%	3.0%		1	90%	6		1	1	0.2	45	60		0
26	Newport Mortgage Company	1	0	0	1	1		80%	1.25	7	25		30	1	YM			TR/LIBOR				1				1	1					1
27	Midland Mortgage Investmetn Corp.	1	1	0	0	1	25	80%	1.25	10	20		30	0					1.0%	1.0%	1	1		1%		1	1		60	60		1
28	KENSINGTON	1	1	0	0	2	20	79%	1.25	5	25	15	30	0					1.0%	1.0%							1		90	90		1
	KENSINGTON	2	1	0	0	2		80%	1.25	10	20		30						1.0%	1.0%							1		90	90		1
29	Pacific Southwest Realty Services	1	0	0	1	2		75%	1.20	5	20	15	30			125	350	TR/LIBOR	1.0%	1.0%							1					1
31	Intervest Mortgage Investment Co	1	1	0	0	1	20		1.20																							1
32	Wells Fargo	1	1	0	0	1	50	80%	1.25	5	20	20	30	1	LO/P	140	300	TR	1.0%	1.0%		1	90%				1		45	60		1
	Wells Fargo	2	0	1	0	2	15	70%	1.25		2	IO				225	250	LIBOR	0.5%	0.5%							1		45	60		1
	Wells Fargo	3	1	0	0	0.8	2.5	75%	1.25	10	20	20	30	1	LO/P	135	300	TR				1					1		30	45		1
33	Malone Mortgage	1	1	0	0	1	25	80%	1.20	5	25		25	0		135	210	TR				1			11		1					1
34	First Union	1	1	0	0	2		80%	1.25	7	10		30	1	DS						1											1
	First Union	2	1	0	0	0.5	2	80%	1.25	7	10		30	1	DS				1.0%	1.0%	1				7							1
35	AMRESCO Capital LP	1	1	0	0	1	5	75%	1.25	7	20		25	1	LO/YM			TR	1.0%	1.0%	1	1		2%		1	1		45	45	1	1
36	Wachovia Bank	0	1	0	0																											
37	Chase Manhattan Bank	1	1	0	0	3		80%	1.25	7	10		30	1	DS				1.0%	1.0%		1			20		1					1
38	Bloomfiled	1	1	0	0	2		75%	1.25	5	10	10	30	1	LO/DS				1.0%	1.0%	1	1	90%	1.5%	10	1	1	0.2			1	1
	Bloomfiled	2	0	1	0	2		75%	1.25		2	10	30	1	EC	200	500	LIBOR	1.0%	1.0%		1	90%	1.5%	10	1	1	0.2			1	1
39	UBS Warburg	0	1	0	0																											
	Average/Total	46	36	2	8	1.5	40.4	77.7%	1.24	6.7	15	18	29	31		190	291		1.0%	1.1%	13	27							48	56.4		
	Standard Diviation/%		78%	6%	17%	1.8	35.7	2.7%	0.03	1.6	6.8	6.5	1.8	91%		46.3	68		0.2%	0.4%	93%	69%							18	17.1		90.5%

Appendix 9: Retail/Traditional/Permanent&Acquisition Loan Program

			Interest Type			Loan Size, LTV, DSCR				Maturity, Amortization						Loan Price			Other Provisions										Closing		Entity	
		Program Number	Filxed Rate(0:No,1:Yes)	Flaoting Rate(0:No,1:Yes)	Both(0:No, 1:Yes)	Min. Loan Size ($M)	Max. Loan Size ($M)	Max.LTV	Min. DSCR	Min Maturity	Max Maturity	Min Amortization	Max Amortization	Prepayment (0:No Penalty, 1:Penalty)	Prepayment Penalty	Min. Spread	Max. Spread	Spread Base (TR:Tresury)	Min. Origination Fees(%)	Max. Origination Fees(%)	Second Mtg Avairability (0:Yes, 1:No)	Assumability (0:No, 1:Yes)	Min. Occupancy Requirement	Deposit (Good Faith % or $1000)	Expense Deposit ($1000 or %)	Escrows for Tax&Ins. (0:No, 1:Require)	Reserves(0:No, 1:Required)	$Reserve/Unit or SQFT	Min. Time to Loan Closing (days)	Max. Time to Loan Closing (days)	Borrower (1:Single Purpose Entity)	Non-recourse (0: No, 1: Yes)
1	Principal Capital Management	1	1	0	0	35		65%	1.40		10		30	1	LO/DS			TR								1	1		60	60	1	1
	Principal Capital Management	2	0	1	0	2	50	75%	1.20					0				LIBOR	0.5%	0.5%				4%			1					
2	Legg Mason Real Estate Sevices	0	1	0	0																											
3	Washington Mutual Saving Bank	1	1	0	0	1	10	70%	1.20		10	15	25	1	YM	235	325	CMT	1.0%	1.5%												0
	Washington Mutual Saving Bank	2	0	1	0	1	10	70%	1.20	10	30	15	25	0		235	325	MTA	1.0%	1.8%												0
4	Fermont Investment & Loan	1	0	1	0	5	40	75%	1.20		5		25	0		300	375	LIBOR	1.0%	1.0%	0											1
5	First Security Bank	0																														
6	Queens County Saving Bank	0	0	0	1																											
9	ORIX Real Estate Capital	1	1	0	0	2		80%	1.25		10		30	0	LO	235	300	TR			1	1					1		60	60		1
10	Greenpoint Mortgage	0	0	0	1																											
11	TITAN	1	1	0	0	0.5	30	75%			5	None		0	LO				2.0%	2.0%						1	1				1	0
12	Kennedy Funding Inc	0	0	0	1																											
13	St. Paul Federal Bank	0	0	1	0			80%			30		30					TR														
14	Southern Farm Bureau Life Insurance	0	0	1	0																											
15	Royal Bank of Pennsylvania	0	0	1	0																											
16	Astoria Federal S&L	0	0	0	1																											
17	First Republic Bank	0	0	0	1													TR/LIBOR														
18	Beal Bank	0																														
19	Brooklinesaving Bank	1	0	0	1			75%	1.30	5	10	5	10																			
20	Corus Bank	0	0	0	1					5	30																					
21	Sandiego National Bank	1	0	0	1			90%		7	25			0							0											
	Sandiego National Bank	2	0	0	1					5	10	20	30								0											
	Sandiego National Bank	3	0	1	0						2																					
22	Ocean Bank	0	0	0	1																											
23	Southern California Bank	1	1	0	0	0.9	8	65%	1.25					0																		0
24	Barnett Financial Services Inc	0				0.01	5																						21	30		
25	Union Bank of Califorinia	1	1	0	0	1	30	80%	1.20	10	15	25	30	1	LO/DS				1.0%	1.0%	0	1	93%			1	1	0.65				0
26	HSBC Bank	1	0	0	1			75%			7							TR/LIBOR											30	30		0
27	NY Satets Teachers' Retirement Fund	0	1	0	0	0.5	50																									
28	Mercantile Trust & Saving Bank	0	1	0	0																											
29	Frost Bank	0	1	0	0	0.1	2.5	85%																								
30	Heller Fiancial	1	0	0	1	1	30	80%	1.25		10	20	30	1	DS				1.0%	1.0%				20-35								1
	Heller Fiancial	2	0	1	0	4	30	80%	1.00	2	5	IO				250	400	LIBOR	1.0%	2.0%												
31	Presidential Bank	1	1	0	0	0.1	2.5	75%	1.25		10		20					TR	1.0%	1.0%												
	Presidential Bank	2	0	1	0	0.1	2.5	75%	1.25		10		20					Prime Rate	1.0%	1.0%												
32	United Commercial Bank	0	0	0	1																											
33	Union Planters Bank	1	1	0	0	1	35				5					175	250	TR														
34	Mann Financial Corporation	2	0	0	1			75%										TR/LIBOR														
	Average/Total	38	12	9	14	1.2	24.4	76.1%	1.23	6.3	13	17	25	4		238	329		1.1%	1.3%	1	2							43	45		
	Standard Diviation/%		32%	24%	37%	1.3	14.1	6.1%	0.09	2.9	9.1	6.8	6.2	36%		40	53		0.4%	0.5%	20%	5%							20	17.3		40.0%

CMT: Constant Maturity Treasury Index MTA: 12month moving Treasury average

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