



CMBS BASIC OVERVIEW

An Industry Contribution
from CSSA

Summary of the Handbook

The advent of Commercial Mortgage Backed Securities (CMBS) and the Whole Loan Secondary Market has diversified methods of real estate lending. Traditionally, real estate lending was limited to commercial banks, thrifts, and insurance companies that provided new mortgage loan originations to local markets. Participating in the CMBS market has allowed lenders to not only spread underwriting risk but also mitigate the local economic market risk that was caused by serving only particular geographic areas. Other benefits include increased liquidity, the ability to hedge against cyclical credit crunches, borrower and collateral diversification and the stabilization of commercial property. CMBS, then, furnish conventional lenders with a broader array of real estate finance vehicles. Whether capital is needed for real estate acquisition or development the secondary market has allowed lenders to consolidate and sell their debt. Both private portfolio loans (large owners and developers) and institutional portfolio loans (insurance companies, banks, and pension funds) hold debt for which securitization is a viable option.

This handbook is designed to serve financial institutions who hold mortgage portfolios and for whom entrance into the CMBS market is a possibility. The handbook is intended as a basic summary of some of the necessary steps, the professionals that will need to be involved at various stages and the questions that a financial institution can address internally prior to embarking on a CMBS transaction. The handbook outlines the key steps for execution, alternatives and strategies for securitizing or selling whole loans. It is not intended to be a detailed process guide that outlines every task to be performed. This information will ultimately allow financial institutions to become more effective in their mortgage portfolio management. Finally, this document will be continually evolving as the industry itself will invariably transform commensurate with new standards and trends.

The handbook begins with an introduction to the key participants, a timeline of the CMBS process and expected costs, as well as methods for interpreting descriptive ratios and statistics commensurate with the loan file. Also contained in the handbook is an actual sample deal which can serve as a “road map,” thus clarifying the intricacies of a CMBS deal. The handbook will conclude with a section on post securitization requirements, or the on-going responsibilities to the mortgages after they have been securitized. An appendix containing the latest league tables accompanies the handbook.

TABLE OF CONTENTS

I. Securitization Process Overview

A. Securitization Process Overview

1. Transaction Timetable
2. Key Participants
3. Who the Players Are
4. CMBS Pipeline
5. CMBS Transaction Expenses

II. The Loan File

A. Critical Checklist

1. New Origination
2. Seasoned Loans

B. Preparing the File

1. Title
2. Financial
3. 3rd Party Reports

III. Critical Data Fields

A. CSSA 100 Data Fields

1. Narrative on the Essential Data Fields
2. Actual Data Fields
3. Minimum Requirements to get started/what advisor will need

IV. Overview of the Collateral

A. Summary of Critical Factors

1. Debt Coverage Ranges
2. Loan to Value Ranges
3. Other Key Characteristics

B. The Mortgage Collateral

1. Historical Operating Information
2. Stabilizing N.O.I.
3. Future events
 - a) Lease Turnover
 - b) Demographic Changes
 - c) Economic Property Improvement

V. Sample Deal

- A. --*Deal still to come*
- B. Bond Building

VI. Documentation

- A. Reps & Warranties
- B. Trust Indenture
- C. Other

VII. Post Securitization Requirements

- A. Ongoing Servicing
- B. Collateral Information
- C. Other

VIII. Appendix

- A. Issuance Rankings

I. Securitization Process Overview



Securitization Process Overview

This section offers an overview of the process of pooling loans into mortgage backed securities for sale into the secondary mortgage market. The securitization process has been broken down in a way that identifies the “who, what, when and where” needed to successfully accomplish the transaction. A timeline has been utilized to schedule all responsibilities and activity in order to complete the deal.

The key participants in such transactions have been outlined as an additional reference. You will see the structure and level of involvement of each player. Also provided is an example of CMBS transaction expenses.

Transaction Timetable

ACTIVITY	W E E K																RESPONSIBILITIES	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
Initial analysis	■																SL, IB	
Due diligence phase			■															SL, IB
Structuring process							■										SL, IB	
Rating agency review							■										SL, IB, UC, SC	
Selection of Servicer & Trustee							■										SL, IB	
Legal documentation							■											IB, RA, TA, SV
Private Offering							■											IB, RA, TA, SV
Public Offering							■											IB, RA, TA, SV
Pre-marketing of privately offered securities											■						IB	
Marketing/pricing																		
Private Offering															■		IB, CA, TA, UC, SC	
Public Offering															■		IB, CA, TA, UC, SC	
Closing																		
Private Offering															■		All	
Public Offering															■		All	

Key Participants

CA Certified Accountant
 IB Investment Bank
 RA Rating Agencies
 SC Seller's Counsel

SL Seller
 SV Servicer
 TA Trust Accountant
 UC Underwriter's Counsel

Key Participants

Certified Accountant

- Accountant responsible for final affirmation of rent rolls, ratios, and financial statements of both the borrowers and property.

Investment Bank

- A firm that purchases and sells corporate and government securities to the public;
- In the case of CMBS, it is the financial intermediary which sponsors the conduit by purchasing the commercial mortgage loans from the conduit/originator and securitizes them for sale to investors;
- The conduit relationship between the securities firm and the originator is similar to that of a joint venture in that both parties determine the terms of the mortgage loans and the price at which they will be sold prior to their origination; and
- The success of the interactive relationship between the investment bank and the conduit/originator is dependent upon ensuring that the quality, pricing, and volume of the mortgage loans originated is consistent with their mutual expectations.

Investors

- Typical investors in CMBS include life insurance companies, pension funds, money managers, mutual funds, and commercial banks for investment-grade tranches; and
- For below-investment grade tranches, securities are often placed pursuant to Rule 144(a), and as a result must be sold to a Qualified Institutional Buyer (QIB)
 - ⇒ The core demand for the below-investment-grade tranches has come from prominent real estate investment funds or CMBS servicing entities (both have the real estate expertise necessary to competently assess the real estate risk inherent in these tranches).

Rating Agencies

- Agencies which examine the assets collateralizing the securities and rates securities based on its benchmarks (see appendix for list of the four CMBS rating agencies);
- Ratings range from triple-A (highest) to triple-C (lowest) and have a major influence on CMBS; and
- Triple-A down through triple-B are investment grade securities while all securities below double-B are below investment grade securities.

Seller

- Any loan originator which sells its mortgages for securitization, e.g. commercial bank, mortgage banker, or insurance company.

Seller's Counsel

- Attorney who represents and advises seller through securitization process.

Servicer

- Institution acting for the benefit of the certificate-holders in the administration of mortgage loans in a CMBS; and
- Functions include collecting payments from borrowers, advancing funds for delinquency loans, reporting to the trustee, negotiating workouts or restructures and taking defaulted properties through the foreclosure process.

⇒ Master Servicer

- Services mortgage loans which collateralize CMBS for certificate holders;
- Collects mortgage payments and passes funds to trustee;
- Provides mortgage performance reports to certificate holders;
- Advances late payments to Trustee; and
- Gives non-performing loans to Special Servicer.

⇒ Special Servicer

- Deals with default loans by conducting “work out” or foreclosure process;
- Selection of special servicer influenced by:
 - ◆ those seller/issuers retaining the first-loss piece
 - ◆ those investing in “B” pieces in return for special services rights
 - ◆ those appointed solely because of asset management expertise.

⇒ Sub-Servicer

- The Master Servicer and the Special Servicer are allowed to each sub-contract their duties to a sub-servicer;
 - ◆ Sub-servicers may be chosen if they have distinguished aptitude in dealing with particular property’s type, location, or deficiencies; however
 - ◆ the Master Servicer or Special Servicer remain responsible for the performance of the delegated duties.

Trustee

- Represents the trust which holds legal title to the collateral for benefit of certificate holders;
- Supervises master servicer/special servicer; and
- Ensures that servicers act in accordance with pooling and servicing agreement.

Trust Accountant

Accountant who affirms financial records of cash flow to be distributed to bond holders.

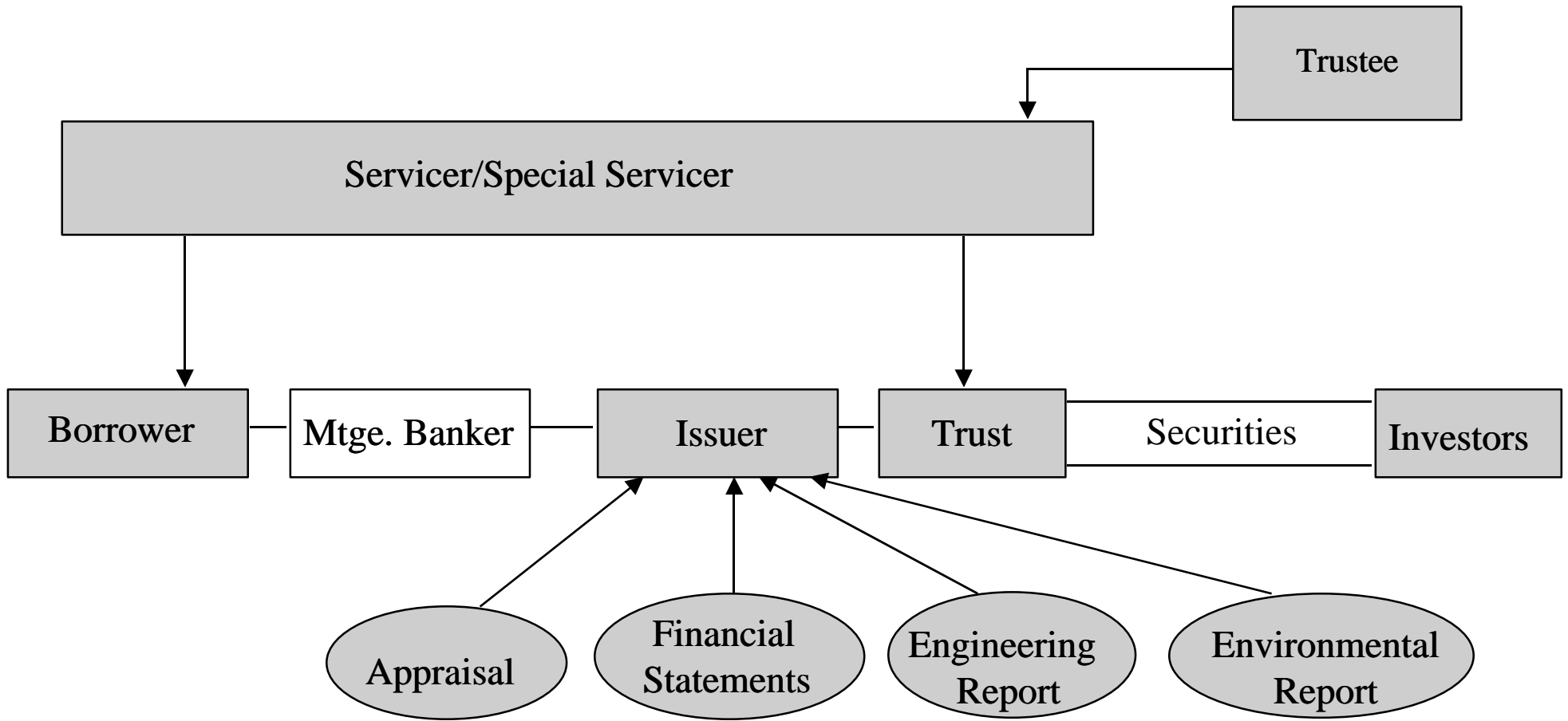
Underwriter

- Assesses risk;
- Judges tenant quality;
- Affirms property is clear of environmental liability; and
- Examines in detail lease terms, loan amount/terms, loan to value ratios, debt service coverage ratios.

Underwriter's Counsel

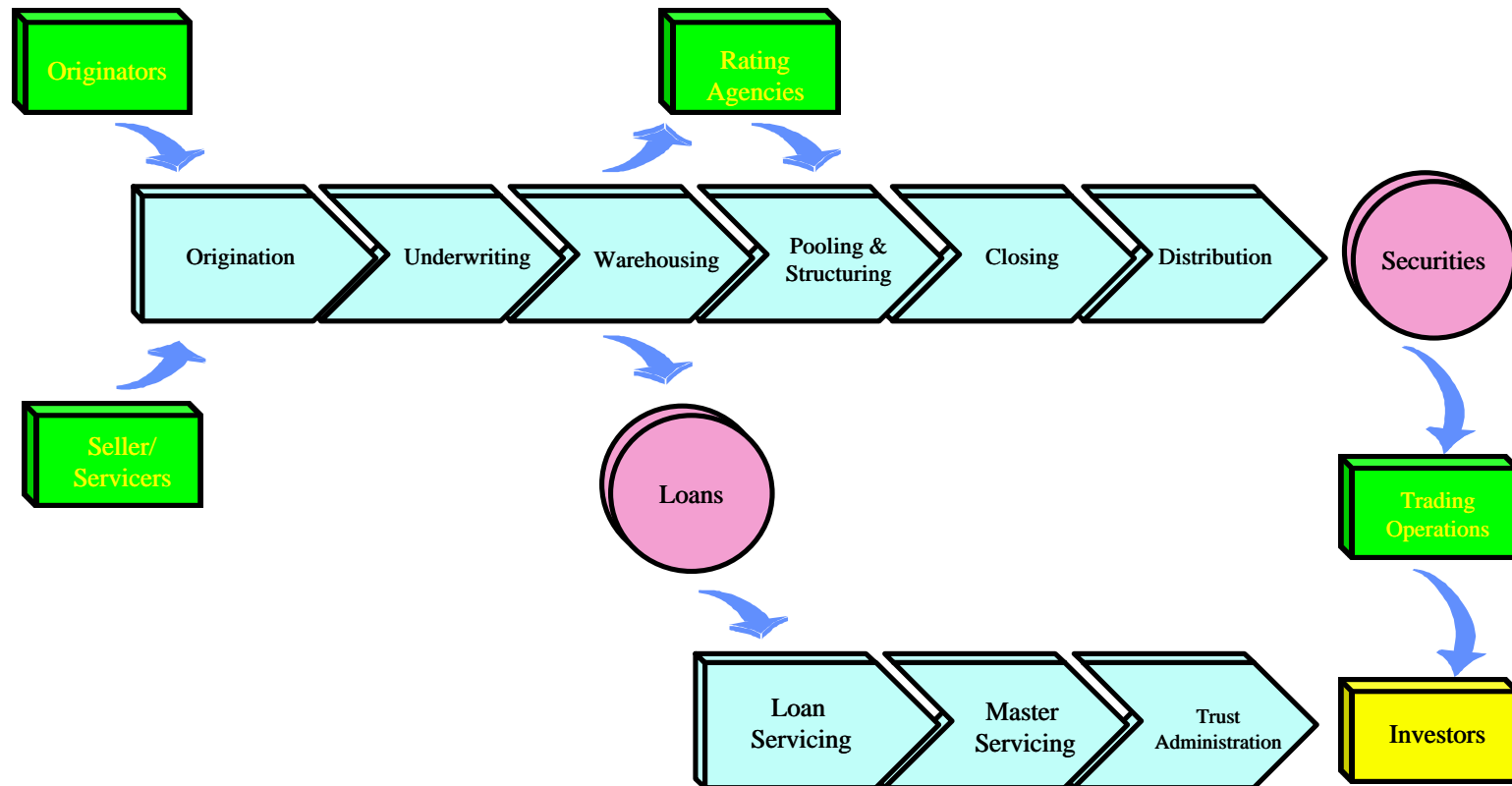
- Attorney who represents underwriter and ensures a true sale.

Who the Players Are



*All players above take part in securitization of new originations; those in bold are involved in securitization of existing portfolios only.

CMBS Pipeline Transaction Flow



II. The Loan File

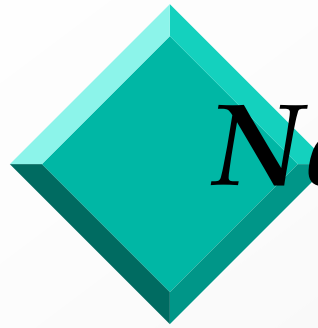


The Loan File

During the exponential growth of the single family mortgage-backed market in the 1980's, more than one party suggested that securitization of commercial real estate mortgages could not happen (despite possessing only three variables, location, location and location) because of a lack of homogeneity and standardization in the industry.

The materials contained in this section highlight those items generally accepted as being critical to the analysis of a commercial real estate mortgage, although there is still a great deal of variability, by investor, in the depth of the analysis of and the weight placed on specific items. Those investors involved in the origination of new loans face a somewhat happier set of circumstances in that they have complete control over what constitutes the due diligence process and how that process is documented.

The process of pooling loans provides a mechanism for quality control. Mortgage sellers provide a lengthy set of representations and warranties which cover the qualitative aspects of the loan assets and the manner in which they were created. As is common in other industries, there is the notion of curing defective merchandise, where it can be demonstrated that the manufacturer of the loan is responsible for the defect.



New Originations

Required Information Checklist

Conduit Lending Program

Property ID:
 Date As Of:

Interim Final

<i>Document</i>	<i>Status</i>				<i>Comments/Date</i>
I. Transaction/General Information					
A. Narrative Description of Transaction	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* B. Preliminary Sources and Uses	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* C. Representative Photographs of Property	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* D. Location, Street, Neighborhood and Market Maps	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
E. Property Floorplans and Marketing Materials	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
F. General market data/inventory, absorption, rental range, tenant improvements/commissions, vacancy, proposed construction	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* G. Pertinent demographic and economic information for the area	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
H. Narrative Summary of Property and Market	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* I. Survey of Competing Properties (incl. photos)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
II. Property Financial Information					
A. Certified/Audited Operating Statements					
1. 1997 Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 2. 1996 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 3. 1995 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 4. 1994 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 5. 12 Months Rolling Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
6. 1997 Budget (acquisitions only)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
7. Summary of "Other Income" Sources	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
B. Annual Occupancy and Rate Statements					
1. 1997 Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 2. 1996 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 3. 1995 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 4. 1994 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 5. 12 Months Rolling Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
6. 1997 Budget (acquisitions only)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>

Required Information Checklist

Conduit Lending Program

Property ID:
 Date As Of:

Interim Final

<i>Document</i>	<i>Status</i>				<i>Comments/Date</i>
C. Summary of Delinquency and Credit Loss					
1. 1997 Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
2. 12 Months Rolling Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
* 3. Current Delinquency Report	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
D. Summary of Capital Expenditures					
1. 1997 Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
2. 1996 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
3. 1995 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
4. 1994 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
5. 12 Months Rolling Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
6. 1997 Budget (incl. description)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
E. Property Tax Bills					
* 1. 1997 Year-To-Date	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
* 2. 1996 Full Year	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
F. Other Financial Supporting Documentation					
* 1. Evidence of Insurance Coverage and Cost	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
III. Tenant/Lease Information					
* A. Detailed Rent Roll for prior 3 months	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
* B. Copy of Standard Lease Agreement	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
C. Certified Lease Abstract	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
* D. Copies of All Major Leases	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
IV. Borrower and Principal Information					
A. Description of Borrowing Entity Organization	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
B. Resumes					
1. Borrower	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
* 2. Principal Owner(s)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
C. Audited/Certified Financial Statements					
1. Borrower, if formed					
a. Current Year (dated within last 6 mos.)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	
2. Principal Owner(s)					
* a. Current Year (dated within last 6 mos.)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	

Required Information Checklist

Conduit Lending Program

Property ID:
 Date As Of:

Interim Final

<i>Document</i>	<i>Status</i>				<i>Comments/Date</i>
D. Synopsis of Principals' Current Real Estate Holdings					
1. Principal (s)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
E. Credit Reports/Credit Report Authorization					
* 1. Principal Owner(s)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
F. Records Searches (Judgments, Liens)					
* 1. Principal Owner(s)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
G. Narrative Summary of Credit History (including defaults and bankruptcies)					
1. Borrower	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
2. Principal Owner(s)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
V. Management Information					
A. Property Management Contract	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
B. Management Plan/Leasing Summary	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
C. Property Manager Information					
1. Summary of Experience (incl. at subject)	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
4. Resumes of Key Personnel	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
VI. Third-Party Reports					
A. Appraisal	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
VII. Other Information					
* A. Ground or Master Lease Summary/Lease	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
B. Statement of Original Cost	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
C. Summary of Last Sale for Subject	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* D. Purchase and Sale Agreement/Option	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
VIII. Property-Type Specific Information					
A. Retail					
1. Tenant Sales Reports					
a. 1997 Y-T-D	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1996 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
* 2. Percentage Rent Reports					
a. 1997 Y-T-D	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1996 Year End	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>

Required Information Checklist

Conduit Lending Program

Property ID:
 Date As Of:

Interim Final

<i>Document</i>	<i>Status</i>				<i>Comments/Date</i>
* 3. Analysis of Concessions, TI and Commissions Expenses					
a. Historical	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. Current/Outstanding	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. Projected	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
4. Detailed tenant profile	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
5. Financial Statements for all tenants representing 10% or more of NRA	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
B. Office/Industrial					
* 1. Analysis of Concessions, TI and Commissions Expenses					
a. Historical	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. Current/Outstanding	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. Projected	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
2. Detailed tenant profile	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
3. Financial Statements for all tenants representing 10% or more of NRA	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
C. Hotel/Hospitality					
* 1. Property Franchise Agreement					
2. Property Franchise Inspection Reports	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
a. 1997 Y-T-D	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1996	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. 1995	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
D. Multi-Family/MHP					
1. Summary of any Corp. Lease Agreements	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
E. Self Storage					
* 1. Demographic Ring Study (1,3,5 mile radius)					
* 2. Traffic Count	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>

Required Information Checklist

Conduit Lending Program

Property ID:
 Date As Of:

Interim Final

<i>Document</i>	<i>Status</i>				<i>Comments/Date</i>
F. Senior Housing/Long-Term Care					
1. Certificate of Need	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
2. State Licenses					<hr/>
a. 1997	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1996	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. 1995	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
3. Other Licenses Required Locally	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
4. Health Surveys and Plans of Corrections					<hr/>
a. 1996/7	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1995/6	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. 1994/5	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
5. Evidence of Medicaid Certification	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
6. Medicaid Cost Reports and Intermediary Letters/Rate Sheets					<hr/>
a. 1996/7	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1995/6	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. 1994/5	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
7. Evidence of Medicare Certification	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
8. Medicare Cost Reports and Intermediary Letters/Rate Sheets					<hr/>
a. 1996/7	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
b. 1995/6	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
c. 1994/5	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
9. Hospital Transfer Agreements	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
10. Narrative Description of Specialty Programs	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>
11. Narrative Summary of Marketing Ties	Rec'd <input type="checkbox"/>	N/AP <input type="checkbox"/>	Incomp. <input type="checkbox"/>	Missing <input type="checkbox"/>	<hr/>

Required Information Checklist

Conduit Lending Program

Property ID: _____

Date As Of: _____

Interim

Final

Document

Status

Comments/Date

Certified By: _____

Name: _____

Title: _____

Date: _____

Comments/Notes: _____



Seasoned Loans

Date/Time Printed:
Due Diligence as of:

File Abstract Form

Control #	<input type="text"/>
Loan #	<input type="text"/>
REO #	<input type="text"/>

VIII. DOCUMENT CHECKLIST

A. LEGAL AND CLOSING	Ref. Code	Original/Copy /NAP/Missing/ g/ NAV/	Recorded	Executed	Complete
1. Note/Note Rider	N	<input type="text"/>			
2. Note Modification(s)	NM	<input type="text"/>		<input type="text"/>	<input type="text"/>
3. Consolidated Modification Extension	CA	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. Mortgage / Deed of Trust	MTG/DOT	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5. Mortgage / DOT Rider	MTG/DOT R	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6. Assignment of Mortgage / DOT to BT	AMTG/DOT	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7. Mtg. / DOT Modification(s)	MTG/DOT M	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8. Assignment of Rents and Leases	ARL	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9. Security Agreement	SA	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10. UCC-1 Financing Statement Dated <input type="text"/>	UCC-1	<input type="text"/>	<input type="text"/>		
11. UCC-2 Dated <input type="text"/>	UCC-2	<input type="text"/>	<input type="text"/>		
12. Guaranty Agreement	G	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
13. Subordinate Loan Documents	SLD	<input type="text"/>			
14. Commitment Letter	CL	<input type="text"/>			
15. Loan Application	LA	<input type="text"/>			
16. Loan Committee Approval	LCA	<input type="text"/>			
17. Original Title Policy	TP	<input type="text"/>			
18. Current / Updated Title Policy	CTP	<input type="text"/>			
19. Preliminary Title Report	PTR	<input type="text"/>			
20. Supplemental Report	STP	<input type="text"/>			
21. Attorney Title Opinion	ATO	<input type="text"/>			
22. Loan Settlement Statement	LSS	<input type="text"/>			
23. Ground Lease	GL	<input type="text"/>	<input type="text"/>		
24. Leasehold Subordination Agreement	LSA	<input type="text"/>	<input type="text"/>		
25. Participation Agreement	PTG	<input type="text"/>			
26. Participation Certificate	PC	<input type="text"/>			
27. Trust Agreement	TA	<input type="text"/>			
28. Assumption Agreement	AG	<input type="text"/>			
29. Trustee Sale Guarantee	TSG	<input type="text"/>			

Date/Time Printed:
Due Diligence as of:

File Abstract Form

Control #
Loan #
REO #

VIII. DOCUMENT CHECKLIST

B. PROPERTY AND APPRAISAL		Ref Code	Original/Copy /NAP/Missing/ NAV/	Recorded
1. Original Appraisal	Date <input type="text"/>	A		
2. Updated Appraisal	Date <input type="text"/>	UA	<input type="text"/>	
3. Brokers Opinion of Value	Date <input type="text"/>	BOV	<input type="text"/>	
4. Property Inspection Report	Date <input type="text"/>	PI	<input type="text"/>	
5. Property Land Survey		SU	<input type="text"/>	
6. Evidence of Zoning Compliance		ZC	<input type="text"/>	
7. Flood Plain Certificate		FPC	<input type="text"/>	
8. Certificate of Occupancy	Date <input type="text"/>	CO	<input type="text"/>	
9. Permits and Licenses		PL	<input type="text"/>	
10. Most Recent Rent Roll	Date <input type="text"/>	RR	<input type="text"/>	
11. Most Recent Op. Statement	Date <input type="text"/>	OP	<input type="text"/>	
12. Tenant Leases		TL	<input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Tenant Estoppels			<input type="text"/>	
14. Subordination, Nondisturbance and Attorney Agreement		SMA	<input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Property Management Agreement		PMA	<input type="text"/>	
16. Phase I Environmental Report		PHI	<input type="text"/>	
17. Phase II Environmental Report		PHI	<input type="text"/>	
18. Engineering Report		ER	<input type="text"/>	
19. Asbestos Report		AR	<input type="text"/>	
20. Hazardous Substances Indemnity		HSI	<input type="text"/>	
21. Earthquake Inspection Report		EQ	<input type="text"/>	
22. Land - Environmental Impact Report		EIR	<input type="text"/>	

Date/Time Printed:
Due Diligence as of:

File Abstract Form

Control #
Loan #
REO #

VIII. DOCUMENT CHECKLIST

C. BORROWER AND GUARANTOR

Ref Code

- | | | | | |
|---------------------------------------|------|----------------------|-----|----------------------|
| 1. Borrower Resume | | | BR | |
| 2. Guarantor Resume | | | R | <input type="text"/> |
| 3. Borrower Financial Stmt. | Date | <input type="text"/> | FS | <input type="text"/> |
| 4. Guarantor Financial Stmt. | Date | <input type="text"/> | GFS | <input type="text"/> |
| 5. Tax Returns | Date | <input type="text"/> | TR | <input type="text"/> |
| 6. Credit Report | Date | <input type="text"/> | CR | <input type="text"/> |
| 7. Articles of Incorporation | | | AI | <input type="text"/> |
| 8. Partnership / JV / Trust agreement | | | PA | <input type="text"/> |

D. INSURANCE

- | | | | | |
|-------------------------------------|-----------------|----------------------|----|----------------------|
| 1. Hazard Ins. Policy/Certif. | Expiration Date | <input type="text"/> | HI | <input type="text"/> |
| 2. General Liability Policy/Certif. | Expiration Date | <input type="text"/> | LI | <input type="text"/> |

E. SERVICING

- | | | | | |
|-------------------------------------|------|----------------------|-----|----------------------|
| 1. Servicing/Subservicing Agreement | | | SVA | <input type="text"/> |
| 2. Payment History | Date | <input type="text"/> | | <input type="text"/> |
| 3. Tax Service Contract | | | TSC | <input type="text"/> |

Date/Time Printed:
Due Diligence as of:

File Abstract Form

Control #
Loan #
REO #

VIII. DOCUMENT CHECKLIST

F. DEFAULT & FORECLOSURE

		Ref Code	Recorded
1. Notice of Default	Date <input type="text"/>	NOD	<input type="text"/>
2. Bankruptcy Documents		BK	<input type="text"/>
3. Foreclosure Documents		FC	<input type="text"/>

G. OTHER PERTINENT DOCUMENTS

**Ref Code
Used on Form**

Process for Curing Deficiencies

There are three main areas for which to address any deficiencies:

Legal - Documentation on a loan level

- If recorded documents are found to be missing (i.e. mortgage, assignment of mortgage, assignment of rents and leases), these documents can be obtained from the title company within their title search;
- If other documents are found to be missing (i.e. note, participation agreements etc), the information can be “repped” by the seller.

Borrower

- Request updated financials both on the borrower (sponsor) and the property, early in the process, as these are important for the buyer’s due diligence.

Property

- If new third party reports (appraisal, engineering, environmental) are needed, they should be ordered early, in order to have time to be reviewed. They should be ordered before due diligence has started.
- Again, site inspections should be completed for a percentage of the portfolio. In connection to the site inspection, both market information and information on rental and sales comparables should be obtained.
- Any potential problems with environment, engineering (structure and zoning) should be addressed.

III. Critical Data Fields



CSSA 100.1

The CSSA 100.1 is a monthly electronic tracking file set up for the dissemination of CMBS performance information for a number of transactions. Investors, traders, rating agencies, and bond analytic shops are able to use this file as a tool for acquiring periodic performance information of specific CMBS transactions.

The information, derived from CMBS trustees or servicers, contains loan level information readily available to users. The structure of the CSSA 100 is twofold. The first component contains a setup file of approximately 80 fields of static data. The second is a monthly updated file with 78 fields of dynamic data reflecting the status and performance of the underlying loans.

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Periodic Data Record Layout)
Loan Level Only - Reflects Distribution Statements**

(Page 1 of 4)

Specification	Description/Comments
Acceptable Media Types	Magnetic Tape, Diskette, Electronic Transfer
Character Set	ASCII
Field Delineation	Comma
Density (Bytes-Per-Inch)	1600 or 6250
Magnetic Tape Label	None (unlabeled)
Magnetic Tape Blocking Factor	10285 (17 records per block)
Physical Media Label	Servicer Name; Data Type (Collection Period Data); Density (Bytes-Per-Inch); Blocking Factor; Record Length
Return Address Label	Required for return of physical media (magnetic tape or diskette)

Field Name	Field Number	Type	Format Example	Description/Comments
Transaction Id	1	AN	XXX97001	Unique Issue Identification Mnemonic
Group Id	2	AN	XXX9701A	Unique Identification Number Assigned To Each Loan Group Within An Issue
Loan Id	3	AN	00000000012345	Unique Identification Number Assigned To Each Collateral Item In A Pool
Prospectus Id	4	AN	123	Unique Identification Number Assigned To Each Collateral Item In The Prospectus
Distribution Date	5	AN	YYYYMMDD	Date Payments Made To Certificateholders
Current Beginning Scheduled Balance	6	Numeric	100000.00	Outstanding Scheduled Principal Balance At The Beginning Of The Current Period
Current Ending Scheduled Balance	7	Numeric	100000.00	Outstanding Scheduled Principal Balance At The End Of The Current Period
Paid To Date	8	AN	YYYYMMDD	Due Date Of The Last Interest Payment Received
Current Index Rate	9	Numeric	0.09	Index Rate Used In The Determination Of The Current Period Gross Interest Rate
Current Note Rate	10	Numeric	0.09	Annualized Gross Rate Applicable To The Calculation Of The Current Period Scheduled Interest
Maturity Date	11	AN	YYYYMMDD	Date Collateral Is Scheduled To Make Its Final Payment
Servicer and Trustee Fee Rate	12	Numeric	0.00025	Annualized Fee Paid To The Servicer And Trustee
Fee Rate/Strip Rate 1	13	Numeric	0.00001	Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate/Strip Rate 2	14	Numeric	0.00001	Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate/Strip Rate 3	15	Numeric	0.00001	Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate/Strip Rate 4	16	Numeric	0.00001	Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate/Strip Rate 5	17	Numeric	0.00001	Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Net Pass-Through Rate	18	Numeric	0.0897	Annualized Interest Rate Applicable To The Calculation Of The Current Period Remittance Interest
Next Index Rate	19	Numeric	0.09	Index Rate Used In The Determination Of The Next Period Gross Interest Rate
Next Note Rate	20	Numeric	0.09	Annualized Gross Interest Rate Applicable To The Calculation Of The Next Period Scheduled Interest
Next Rate Adjustment Date	21	AN	YYYYMMDD	Date Note Rate Is Next Scheduled To Change
Next Payment Adjustment Date	22	AN	YYYYMMDD	Date Scheduled P&I Amount Is Next Scheduled To Change

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Periodic Data Record Layout)
Loan Level Only - Reflects Distribution Statements
(Page 2 of 4)**

Field Name	Field Number	Type	Format Example	Description/Comments
Scheduled Interest Amount	23	Numeric	1000.00	Scheduled Gross Interest Payment Due For The Current Period
Scheduled Principal Amount	24	Numeric	1000.00	Scheduled Principal Payment Due For The Current Period
Total Scheduled P&I Due	25	Numeric	1000.00	Scheduled Principal And Interest Payment Due For The Current Period
Neg am/Deferred Interest Amount	26	Numeric	1000.00	Negative Amortization/Deferred Interest Amount Due For The Current Period
Unscheduled Principal Collections	27	Numeric	1000.00	Unscheduled Payments Of Principal Received During The Related Collection Period
Other Principal Adjustments	28	Numeric	1000.00	Unscheduled Principal Adjustments For The Related Collection Period
Liquidation/Prepayment Date	29	AN	YYYYMMDD	Date Unscheduled Payment Of Principal Received
Prepayment Penalty/Yield Maint Received	30	Numeric	1000.00	Additional Payment Required From Borrower Due To Prepayment Of Loan Prior To Maturity
Prepayment Interest Excess (Shortfall)	31	Numeric	1000.00	Scheduled Gross Interest Applicable To The Prepayment Amount
Liquidation/Prepayment Code	32	Numeric	1	See Liquidation/Prepayment Codes Legend
Most Recent ASER \$	33	Numeric	1000.00	Excess Of The Principal Balance Over The Defined Appraisal Percentage
Most Recent ASER Date	34	AN	YYYYMMDD	Date ASER Amount Applied To Loan
Cumulative ASER \$	35	Numeric	1000.00	Cumulative ASER Amount
Actual Balance	36	Numeric	100000.00	Outstanding Actual Principal Balance At The End Of The Current Period
Total P&I Advance Outstanding	37	Numeric	1000.00	Outstanding P&I Advances At The End Of The Current Period
Total T&I Advance Outstanding	38	Numeric	1000.00	Outstanding Taxes & Insurance Advances At The End Of The Current Period
Other Expense Advance Outstanding	39	Numeric	1000.00	Other Outstanding Advances At The End Of The Current Period
Status of Loan	40	AN	1	See Status Of Loan Legend
In Bankruptcy	41	AN	Y	Bankruptcy Status Of Loan (If In Bankruptcy "Y", Else "N")
Foreclosure Date	42	AN	YYYYMMDD	Date Of Foreclosure
REO Date	43	AN	YYYYMMDD	Date Of REO
Bankruptcy Date	44	AN	YYYYMMDD	Date Of Bankruptcy
Net Proceeds Received on Liquidation	45	Numeric	100000.00	Net Proceeds Received On Liquidation To Be Remitted To The Trust Per The Trust Documentation
Liquidation Expense	46	Numeric	100000.00	Expenses Associated With The Liquidation To Be Netted From The Trust Per The Trust Documentation
Realized Loss to Trust	47	Numeric	10000.00	Liquidation Balance Less Net Liquidation Proceeds Received
Date of Last Modification	48	AN	YYYYMMDD	Date Loan Was Modified
Modification Code	49	Numeric	1	See Modification Codes Legend
Modified Note Rate	50	Numeric	0.09	Note Rate Loan Modified To
Modified Payment Rate	51	Numeric	0.09	Payment Rate Loan Modified To
Preceding Fiscal Year Revenue	52	Numeric	1000.00	Preceding Fiscal Year Revenue
Preceding Fiscal Year Expenses	53	Numeric	1000.00	Preceding Fiscal Year Expenses
Preceding Fiscal Year NOI	54	Numeric	1000.00	Preceding Fiscal Year Net Operating Income
Preceding Fiscal Year Debt Service Amt.	55	Numeric	1000.00	Preceding Fiscal Year Debt Service Amount
Preceding Fiscal Year DSCR	56	Numeric	2.55	Preceding Fiscal Year Debt Service Coverage Ratio

All Financial Update Fields Are Calculated and/or Presented In The Manner Described In The Associated Trust Documentation.

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Periodic Data Record Layout)
Loan Level Only - Reflects Distribution Statements
(Page 3 of 4)**

Field Name	Field Number	Type	Format Example	Description/Comments
Preceding Fiscal Year Physical Occupancy	57	Numeric	0.85	Preceding Fiscal Year Physical Occupancy
Preceding FY Financial As of Date	58	AN	YYYYMMDD	Preceding Fiscal Year Financial As Of Date
Second Preceding FY Revenue	59	Numeric	1000.00	Second Preceding Fiscal Year Revenue
Second Preceding FY Expenses	60	Numeric	1000.00	Second Preceding Fiscal Year Expenses
Second Preceding FY NOI	61	Numeric	1000.00	Second Preceding Fiscal Year Net Operating Income
Second Preceding FY Debt Service	62	Numeric	1000.00	Second Preceding Fiscal Year Debt Service
Second Preceding FY DSCR	63	Numeric	2.55	Second Preceding Fiscal Year Debt Service Coverage Ratio
Sec Preceding FY Physical Occupancy	64	Numeric	0.85	Second Preceding Fiscal Year Physical Occupancy
Sec Preceding FY Financial As of Date	65	AN	YYYYMMDD	Second Preceding Fiscal Year Financial As Of Date
Most Recent Fiscal YTD Revenue	66	Numeric	1000.00	Most Recent Fiscal Year To Date Revenue
Most Recent Fiscal YTD Expenses	67	Numeric	1000.00	Most Recent Fiscal Year To Date Expenses
Most Recent Fiscal YTD NOI	68	Numeric	1000.00	Most Recent Fiscal Year To Date Net Operating Income
Most Recent Fiscal YTD Debt Service	69	Numeric	1000.00	Most Recent Fiscal Year To Date Debt Service
Most Recent Fiscal YTD DSCR	70	Numeric	2.55	Most Recent Fiscal Year To Date Debt Service Coverage Ratio
Most Recent Fiscal YTD Phys. Occ.	71	Numeric	0.85	Most Recent Fiscal Year To Date Physical Occupancy
Most Recent Fiscal YTD Start Date	72	AN	YYYYMMDD	Most Recent Fiscal Year To Date Start Date
Most Recent Fiscal YTD End Date	73	AN	YYYYMMDD	Most Recent Fiscal Year To Date End Date
Most Recent Appraisal Date	74	AN	YYYYMMDD	The Date Of The Latest Available Appraisal For The Property
Most Recent Appraisal Value	75	Numeric	100000.00	The Latest Available Appraisal Value For The Property
Workout Strategy Code	76	Numeric	1	See Workout Strategy Codes Legend
Most Recent Spec Service Transfer Date	77	AN	YYYYMMDD	Date Transferred To The Special Servicer
Most Recent Master Service Return Date	78	AN	YYYYMMDD	Date Returned To The Master Servicer
Date Asset is Expected to Be Resolved	79	AN	YYYYMMDD	Date Asset Is Expected To Be Resolved
Year Last Renovated	80	AN	1997	Year Property Last Renovated

Most Recent Fiscal YTD
Figures Are From The Last
Financials Processed By The
Servicer Pursuant To The
Terms Of The Trust
Document, And Cover The
Period From The Start Date
To The End Date.

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Periodic Data Record Layout)
Legend
(Page 4 of 4)**

Liquidation/Prepayment Code Legend	
1	Partial Liquidation (Curtailment)
2	Payoff Prior To Maturity
3	Disposition
4	Repurchase
5	Full Payoff At Maturity
6	DPO
7	Liquidation

Status of Mortgage Loan Legend	
A	Payment Not Received But Still In Grace Period
B	Late Payment But Less Than 1 Month Delinquent
0	Current
1	One Month Delinquent
2	Two Months Delinquent
3	Three Or More Months Delinquent
4	Assumed Scheduled Payment (Performing Matured Balloon)
7	Foreclosure
9	REO

Modification Code Legend	
1	Maturity Date Extension
2	Amortization Change
3	Principal Write-Off
4	Combination

Resolution Strategy Code Legend	
1	Modification
2	Foreclosure
3	Bankruptcy
4	Extension
5	Note Sale
6	DPO
7	REO
8	Resolved
9	Pending Return to Master Servicer
10	Deed In Lieu Of Foreclosure

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Setup Data Record Layout)
Loan Level Only - Reflects Offering Documentation
(Page 1 of 4)**

Specification	Description/Comments
Acceptable Media Types	Magnetic Tape, Diskette, Electronic Transfer
Character Set	ASCII
Field Delineation	Comma
Density (Bytes-Per-Inch)	1600 or 6250
Magnetic Tape Label	None (unlabeled)
Magnetic Tape Blocking Factor	10285 (17 records per block)
Physical Media Label	Servicer Name; Data Type (Collection Period Data); Density (Bytes-Per-Inch); Blocking Factor; Record Length
Return Address Label	Required for return of physical media (magnetic tape or diskette)

Field Name	Field Number	Type	Format Example	Description/Comments
Transaction Id	1	AN	XXX97001	Unique Issue Identification Mnemonic
Group Id	2	AN	XXX9701A	Unique Identification Number Assigned To Each Loan Group Within An Issue
Loan Id	3	AN	00000000012345	Unique Identification Number Assigned To Each Collateral Item In A Pool
Offering Document Loan Id	4	AN	123	Unique Identification Number Assigned To Each Collateral Item In The Prospectus
Original Note Amount	5	Numeric	1000000.00	The Mortgage Loan Balance At Inception Of The Note
Original Term Of Loan	6	Numeric	240	Original Number Of Months Until Maturity Of Loan
Original Amortization Term	7	Numeric	360	Original Number Of Months Loan Amortized Over
Original Note Rate	8	Numeric	0.095	The Note Rate At Inception Of The Note
Original Payment Rate	9	Numeric	0.095	Original Rate Payment Calculated On
First Loan Payment Due Date	10	AN	YYYYMMDD	First Payment Date On The Mortgage Loan
Grace Days Allowed	11	Numeric	10	Number Of Days From Due Date Borrower Is Permitted To Remit Payment
Interest Only (Y/N)	12	AN	Y	Y=Yes, N=No
Balloon (Y/N)	13	AN	Y	Y=Yes, N=No
Interest Rate Type	14	Numeric	1	1=Fixed, 2=Arm, 3=Step, 9=Other
Interest Accrual Method Code	15	Numeric	1	1=30/360, 2=Actual/365, 3=Actual/360, 4=Actual/Actual, 5=Actual/366, 6=Simple, 7=78'S
Interest in Arrears (Y/N)	16	AN	Y	Y=Yes, N=No
Payment Type Code	17	Numeric	1	See Payment Type Code Legend
Prepayment Lock-out End Date	18	AN	YYYYMMDD	Date After Which Loan Can Be Prepaid
Yield Maintenance End Date	19	AN	YYYYMMDD	Date After Which Loan Can Be Prepaid Without Yield Maintenance
Prepayment Premium End Date	20	AN	YYYYMMDD	Date After Which Loan Can Be Prepaid Without Penalty

**Secondary Market
And
Securitization Association**
(CSSA 100.1 Setup Data Record Layout)
Loan Level Only - Reflects Offering Documentation
(Page 2 of 4)

Field Name	Field Number	Type	Format Example	Description/Comments
Prepayment Terms Description	21	AN	Text	Description Of Prepayment Terms (Not To Exceed 50 Characters)
ARM Index Code	22	AN	A	See Arm Index Code Legend
First Rate Adjustment Date	23	AN	YYYYMMDD	Date Note Rate Originally Changed
First Payment Adjustment Date	24	AN	YYYYMMDD	Date Payment Originally Changed
ARM Margin	25	Numeric	0.025	Rate Added To Index Used In The Determination Of The Gross Interest Rate
Lifetime Rate Cap	26	Numeric	0.15	Maximum Rate That The Borrower Must Pay On An Arm Loan Per The Loan Agreement
Lifetime Rate Floor	27	Numeric	0.05	Minimum Rate That The Borrower Must Pay On An Arm Loan Per The Loan Agreement
Periodic Rate Increase Limit	28	Numeric	0.02	Maximum Periodic Increase To The Note Rate Allowed Per The Loan Agreement
Periodic Rate Decrease Limit	29	Numeric	0.02	Minimum Periodic Increase To The Note Rate Allowed Per The Loan Agreement
Periodic Payment Adjustment Max-%	30	Numeric	0.03	Maximum Periodic Percentage Increase To The Borrowers P&I Payment Allowed Per The Loan Agreement
Periodic Payment Adjustment Max-\$	31	Numeric	5000.00	Maximum Periodic Dollar Increase To The Borrowers P&I Payment Allowed Per The Loan Agreement
Payment Frequency	32	Numeric	1	1=Monthly, 3=Quarterly, 6=Semi-Annually, 12=Annually ...
Rate Reset Frequency In Months	33	Numeric	1	1=Monthly, 3=Quarterly, 6=Semi-Annually, 12=Annually ...
Payment Reset Frequency In Months	34	Numeric	1	1=Monthly, 3=Quarterly, 6=Semi-Annually, 12=Annually ...
Rounding Code	35	Numeric	1	Rounding Method For Sum Of Index Plus Margin (See Rounding Code Legend)
Rounding Increment	36	Numeric	0.00125	Used In Conjunction With Rounding Code
Index Look Back In Days	37	Numeric	45	Use Index In Effect X Days Prior To Adjustment Date
Negative Amortization Allowed (Y/N)	38	AN	Y	Y=Yes, N=No
Max Negate Allowed (% Of Orig Balance)	39	Numeric	0.075	Maximum Lifetime Percentage Increase To The Original Balance Allowed Per The Loan Agreement
Maximum Negate Allowed (\$)	40	Numeric	25000.00	Maximum Lifetime Dollar Increase To The Original Balance Allowed Per The Loan Agreement
Remaining Term At Securitization	41	Numeric	240	Remaining Number Of Months Until Maturity Of Loan At Cutoff
Remaining Amortized Term At Securitization	42	Numeric	360	Remaining Number Of Months Loan Amortized Over At Cutoff
Maturity Date At Securitization	43	AN	YYYYMMDD	The Scheduled Maturity Date Of The Mortgage Loan At Securitization
Scheduled Principal Balance At Securitization	44	Numeric	1000000.00	The Scheduled Principal Balance Of The Mortgage Loan At Securitization
Note Rate At Securitization	45	Numeric	0.095	Cutoff Annualized Gross Interest Rate Applicable To The Calculation Of Scheduled Interest
Servicer And Trustee Fee Rate	46	Numeric	0.00025	Cutoff Annualized Fee Paid To The Servicer And Trustee
Fee Rate / Strip Rate 1	47	Numeric	0.00001	Cutoff Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate / Strip Rate 2	48	Numeric	0.00001	Cutoff Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate / Strip Rate 3	49	Numeric	0.00001	Cutoff Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate / Strip Rate 4	50	Numeric	0.00001	Cutoff Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Fee Rate / Strip Rate 5	51	Numeric	0.00001	Cutoff Annualized Fee/Strip Netted Against Current Note Rate To Determine Net Pass-Through Rate
Net Rate At Securitization	52	Numeric	0.0947	Cutoff Annualized Interest Rate Applicable To The Calculation Of Remittance Interest
Periodic P&I Payment At Securitization	53	Numeric	3000.00	The Periodic Scheduled Principal & Interest Payment

**And
Securitization Association
(CSSA 100.1 Setup Data Record Layout)
Loan Level Only - Reflects Offering Documentation
(Page 3 of 4)**

Field Name	Field Number	Type	Format Example	Description/Comments
# Of Properties	54	Numeric	13	The Number Of Properties Underlying The Mortgage Loan
Property Name	55	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property Address	56	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property City	57	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property State	58	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property Zip Code	59	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property County	60	AN	Text	If Number Of Properties Is Greater Than 1 Then "Various"
Property Type Code	61	AN	MF	If Number Of Properties Is Greater Than 1 Then "Various" (See Property Type Code Legend)
Net Square Feet At Securitization	62	Numeric	25000	If Number Of Properties Is Greater Than 1 Then "Various"
# Of Units/Beds/Rooms At Securitization	63	Numeric	75	If Number Of Properties Is Greater Than 1 Then "Various"
Year Built	64	AN	1990	If Number Of Properties Is Greater Than 1 Then "Various"
NOI At Securitization	65	Numeric	100000.00	Net Operating Income At Securitization
DSCR At Securitization	66	Numeric	2.11	DSCR At Securitization
Appraisal Value At Securitization	67	Numeric	1000000.00	Appraisal Value At Securitization
Appraisal Date At Securitization	68	AN	YYYYMMDD	Appraisal Date At Securitization
Physical Occupancy At Securitization	69	Numeric	0.88	Physical Occupancy At Securitization
Revenue At Securitization	70	Numeric	100000.00	Revenue At Securitization
Operating Expenses At Securitization	71	Numeric	100000.00	Expenses At Securitization
Securitization Financials As Of Date	72	AN	YYYYMMDD	Securitization Financials As Of Date
Recourse (Y/N)	73	AN	Y	Y=Yes, N=No
Ground Lease (Y/N)	74	AN	Y	Y=Yes, N=No
Cross-Collateralized Loan Grouping	75	Numeric	9(3)	All Loans With The Same Numeric Value Are Crossed
Collection Of Escrows (Y/N)	76	AN	Y	Y=Yes, N=No
Collection Of Other Reserves (Y/N)	77	AN	Y	Y=Yes, N=No
Lien Position At Securitization	78	Numeric	1	1=First, 2=Second ...

**Commercial Real Estate
Secondary Market
And
Securitization Association
(CSSA 100.1 Setup Data Record Layout)**

Legend
(Page 4 of 4)

Payment Type Code Legend	
1	Fully Amortizing
2	Amortizing Balloon
3	Interest Only / Balloon
4	Interest Only / Amortizing
5	Interest Only / Amortizing / Balloon
6	Principal Only
9	Other

ARM Index Code Legend	
A	11 FHLB COFI (1 Month)
B	11 FHLB COFI (6 Month)
C	1 Year CMT Weekly Average Treasury
D	3 Year CMT Weekly Average Treasury
E	5 Year CMT Weekly Average Treasury
F	Wall Street Journal Prime Rate
G	1 Month LIBOR
H	3 Month LIBOR
I	6 Month LIBOR
J	National Mortgage Index Rate
	All Others Use Short Text Description

Rounding Code Legend	
1	Unrounded
2	Nearest Percentage Increment
3	Up To Nearest Percentage Increment
4	Down To Nearest Percentage Increment

Property Types Code Legend	
MF	Multifamily
RT	Retail
HC	Health Care
IN	Industrial
WH	Warehouse
MH	Mobile Home Park
OF	Office
MU	Mixed Use
LO	Lodging
SS	Self Storage
OT	Other

IV. Overview of the Collateral



Overview of the Collateral

This section provides commonly used definitions which are instrumental in loan underwriting. Included are rating parameters (debt service coverage ratio, loan to value ratio) for various property types as well as a table of relative loss expectations by individual loan characteristics. These ratios are relatively simple measures yet they are capable of characterizing a property as being profitable or distressed.

Understanding the terminology and descriptive measures in this section is the platform from which sound real estate investment decisions can occur. Therefore, the utilization of financial ratios combined with the awareness of possible future events will provide insight as to financial risk, investment performance, and credit enhancement.

Definitions

Debt Service Coverage Ratio (DSCR)	First-year net cash flow, as adjusted by DCR, divided by debt service payment using an assumed debt service constant.
Loan-to-Value Ratio (Initial) (LTV)	Mortgage principal amount divided by the underwritten value of the property as adjusted by DCR.
Loan-to-Value Ratio (at maturity or balloon)	The initial LTV adjusted for any amortization over the term, assuming zero property value increase.
Debt Service Constant	Derived using an assumed long-term rate equal to the higher of the actual or the average experienced over preceding commercial real estate cycle. ¹
First-Year Net Cash Flow Before Debt Service ²	
Underwritten Value	The DCR process of reviewing third-party estimates. Refer to Exhibit 3 in Chapter 9.
Capitalization Rate	Third-party estimate, adjusted by DCR.

¹ The interest rate assumed will be qualified by a number of other factors. If there is a fixed-rate, fully amortizing transaction, the gross rate on the mortgage prevailing at the time of the financing will be utilized. For fixed-rate, balloon transactions, the higher of the actual or average rate prevailing over the previous real estate cycle will be incorporated. Similarly, for floating-rate loans with balloon payments, it is assumed that the loan will need to be refinanced under the interest rate environment described above. Floating-rate loans with a high-rate cap or no-rate cap will be stress tested separately for this incremental risk.

² First-Year Net Cash Flow is developed as follows:

Income

+Gross Rental Income (leases in place)

+Expense Recoveries

-Vacancy and Collection Loss; (vacancy will be stabilized)

Effective Gross Income

Operating Expenses

Fixed: (Real estate taxes, insurance)

Variable: (Repairs and maintenance, G&A, utilities, management fee, etc.)

Total Operating Expenses

Net Operating Income

Capital Items

(Reserves for replacement, tenant improvement costs, commissions)

Net Cash Flow Before Debt Service

Cross-Collateralized Transactions: Rating Parameters

Property Type	AAA		AA		A	
	DSCR	LTV	DSCR	LTV	DSCR	LTV
Regional Malls	1.75 - 1.90	45% - 48%	1.55 - 1.65	54% - 57%	1.45 - 1.55	58% - 62%
Apartments	1.85 - 2.05	43% - 46%	1.65 - 1.80	50% - 55%	1.55 - 1.65	55% - 58%
Industrial or Anchored Retail (Not manufacturing or strips)	1.95 - 2.15	43% - 46%	1.75 - 1.95	50% - 54%	1.65 - 1.75	54% - 57%
Unanchored Retail	2.50 - 3.00	32% - 36%	2.10 - 2.40	40% - 45%	1.90 - 2.10	45% - 50%
Office	2.30 - 2.75	32% - 36%	1.95 - 2.25	40% - 45%	1.80 - 1.95	45% - 50%
Property Type	BBB		BB		B	
	DSCR	LTV	DSCR	LTV	DSCR	LTV
Regional Malls	1.35 - 1.45	64% - 67%	1.20 - 1.30	73% - 76%	1.20	80%
Apartments	1.47 - 1.55	60% - 63%	1.30 - 1.35	68% - 70%	1.25	75.0%
Industrial or Anchored Retail (Not manufacturing or strips)	1.55 - 1.65	58% - 62%	1.40 - 1.50	65% - 72%	1.30	75.0%
Unanchored Retail	1.75 - 1.90	50% - 55%	1.52 - 1.65	58% - 63%	1.35	70.0%
Office	1.65 - 1.75	50% - 55%	1.50 - 1.60	58% - 63%	1.35	70.0%

- Note 1 Sizing parameters assume an average pool of approximately 20 assets.
- Note 2 If using a multiclass structure with a single or few borrowers, generally deduct 5 basis points for the LTV at disposition from all but the lowest class.
- Note 3 Servicers will be needed in multiclass structures or where the property is not deemed to be refinaneable.
- Note 4 Cash flow used in the debt service coverage ratio is a property specific marked to market. Vacancy is the greater of roll-over analysis or market. An average TI and commission is deducted. Specific yearly amounts in excess of the average will be reserved.
- Note 5 Debt Service is calculated assuming a minimum 10% constant. (Some exceptions for regional malls).
- Note 6 Value is a 10-year discounted cash flow with specific risk issues addressed through discount and capitalization rate analysis.

Base-Case Credit Enhancement Guidelines for Various Property Types

Individual Loan Coverage		Office Properties					
		Credit Enhancement					
LTV	DSCR	AAA	AA	A	BBB	BB	B
30	2.50	3.9	2.9	2.2	1.5	1.0	0.5
35	2.25	5.8	4.3	3.2	2.2	1.2	0.5
40	2.00	7.8	5.8	4.3	3.0	1.6	1.0
45	1.90	10.2	7.6	5.6	3.9	2.1	1.0
50	1.75	13.1	9.7	7.2	5.0	2.7	1.1
55	1.65	16.2	12.0	8.9	6.2	3.4	1.3
60	1.50	20.9	15.5	11.5	8.0	4.4	1.7
65	1.45	27.2	20.2	14.9	10.4	5.7	2.3
70	1.35	35.8	26.6	19.6	13.7	6.5	3.0
75	1.25	47.1	34.9	25.8	18.0	9.9	3.9
80	1.15	60.2	44.6	33.0	23.0	12.6	5.0

Individual Loan Coverage		Regional Malls					
		Credit Enhancement					
LTV	DSCR	AA	AA	A	BBB	BB	B
30	2.50	2.0	1.5	1.1	1.0	0.5	0.5
35	2.25	2.9	2.1	1.6	1.1	1.0	0.5
40	2.00	3.9	2.9	2.2	1.5	1.0	0.5
45	1.90	5.1	3.8	2.8	2.0	1.1	0.5
50	1.75	6.5	4.8	3.6	2.5	1.4	1.0
55	1.65	8.1	6.0	4.4	3.1	1.7	1.0
60	1.50	10.5	7.8	5.7	4.0	2.2	1.0
65	1.45	13.6	10.1	7.5	5.2	2.8	1.1
70	1.35	17.9	13.3	9.8	6.9	3.8	1.5
75	1.25	23.5	17.5	12.9	9.0	4.9	2.0
80	1.15	30.1	22.3	16.5	11.5	6.3	2.5

Individual Loan Coverage		Industrial/Anchored Retail Properties					
		Credit Enhancement					
LTV	DSCR	AAA	AA	A	BBB	BB	B
30	2.50	2.5	1.9	1.4	1.0	0.5	0.5
35	2.25	3.7	2.7	2.0	1.4	1.0	0.5
40	2.00	5.0	3.7	2.7	1.9	1.1	0.5
45	1.90	6.5	4.8	3.6	2.5	1.4	0.5
50	1.75	8.4	6.2	4.6	3.2	1.8	1.0
55	1.65	10.4	7.7	5.7	4.0	2.2	1.0
60	1.50	13.4	9.9	7.3	5.1	2.8	1.1
65	1.45	17.4	12.9	9.5	6.7	3.6	1.4
70	1.35	22.9	17.0	12.6	8.8	4.8	1.9
75	1.25	30.1	22.3	16.5	11.5	6.3	2.5
80	1.15	38.5	28.5	21.1	14.7	8.1	3.2

Individual Loan Coverage		Multifamily Properties					
		Credit Enhancement					
LTV	DSCR	AA	AA	A	BBB	BB	B
30	2.50	2.6	1.9	1.4	1.0	0.5	0.5
35	2.25	3.8	2.8	2.1	1.5	1.0	0.5
40	2.00	5.2	3.9	2.9	2.0	1.1	0.5
45	1.90	6.8	5.0	3.7	2.6	1.4	1.0
50	1.75	8.7	6.5	4.8	3.3	1.8	1.0
55	1.65	10.8	8.0	5.9	4.1	2.3	1.0
60	1.50	13.9	10.3	7.6	5.3	2.9	1.2
65	1.45	18.1	13.4	9.9	6.9	3.8	1.5
70	1.35	23.9	17.7	13.1	9.1	5.0	2.0
75	1.25	31.4	23.3	17.2	12.0	6.6	2.6
80	1.15	40.1	29.7	22.0	15.3	8.4	3.3

The Mortgage Collateral

Historical Operating Information

- Assemble and analyze for 3 years plus trailing 12 months of income and expenses; and
- Comment on significant fluctuations on a line item basis.

Stabilizing NOI

- Adjust underwritten NOI to industry standards regarding replacement reserves, management fees, and vacancies;
- Mark to market rents and vacancies.

Future Events

Lease Turnover

- Take into account the point at which various leases expire, tenants' options for renewal, and incorporate the various scenarios in the cash flow analysis.

Demographic Changes

- Account for major economic events which could potentially impact stabilized cash flows.

Economic Property Improvement

- Data from market area analysis and surveys on comparable projects may be used to establish what expected rents and expenses will be; and
- Economic and demographic trends at the local and regional level should be realized

V. Sample Deal



Building Bonds from Mortgages

Sally Gordon
National Director of Real Estate Research
Real Estate, Mortgage and Hospitality Consulting
KPMG Peat Marwick

As of the second quarter of 1997, about 8% of all commercial mortgages and about 12% of multifamily mortgages have been securitized. It is quite likely that this ratio will expand as securitization becomes an increasingly advantageous vehicle for many issuers and investors. In short, the market for commercial mortgage backed securities (CMBS) is here to stay.

Just as farmers are often curious about the countries to which their crops are exported, many mortgage bankers who originate and underwrite commercial mortgages are curious about the bonds into which those mortgages are transformed through securitization. The objective of this article is to explain some basic bond or security structures that emerge from a pool of mortgages. We will begin with a relatively simple security structure in Scenario 1, then add an additional feature in Scenario 2, gradually building toward increasingly complex structures.

Scenario 1.

Assume a pool of \$100 million of commercial mortgages, all with a fixed mortgage rate. A simple security collateralized by this pool of mortgages is outlined below.

Table 1-A. \$100 MM CMBS, 5-Year, Fixed-Rate Security

Class	Size	Rating ¹	Average Life
Class A	\$80 MM	AA	3.6 years
Class B	\$8 MM	BBB	5.0 years
Class C	\$12 MM	NR ²	

1 The highest rating possible for a bond or bond class is triple-A (AAA or Aaa), which means that the rating agency believes that there is a very high probability of *full and timely* repayment of *principal and interest*. The next highest ratings that are considered to be **investment grade** are, in order, double-A, single-A, and triple-B (BBB or Baa). Bonds rated double-B, single-B, *etc.* are below-investment grade. Some institutional investors may buy only investment grade bonds, and many more investors have a limit on the share of the portfolio that can be allocated to below-investment grade bonds. As a result, there is a much larger market or set of potential buyers for investment grade bonds than for those that are below-investment grade.

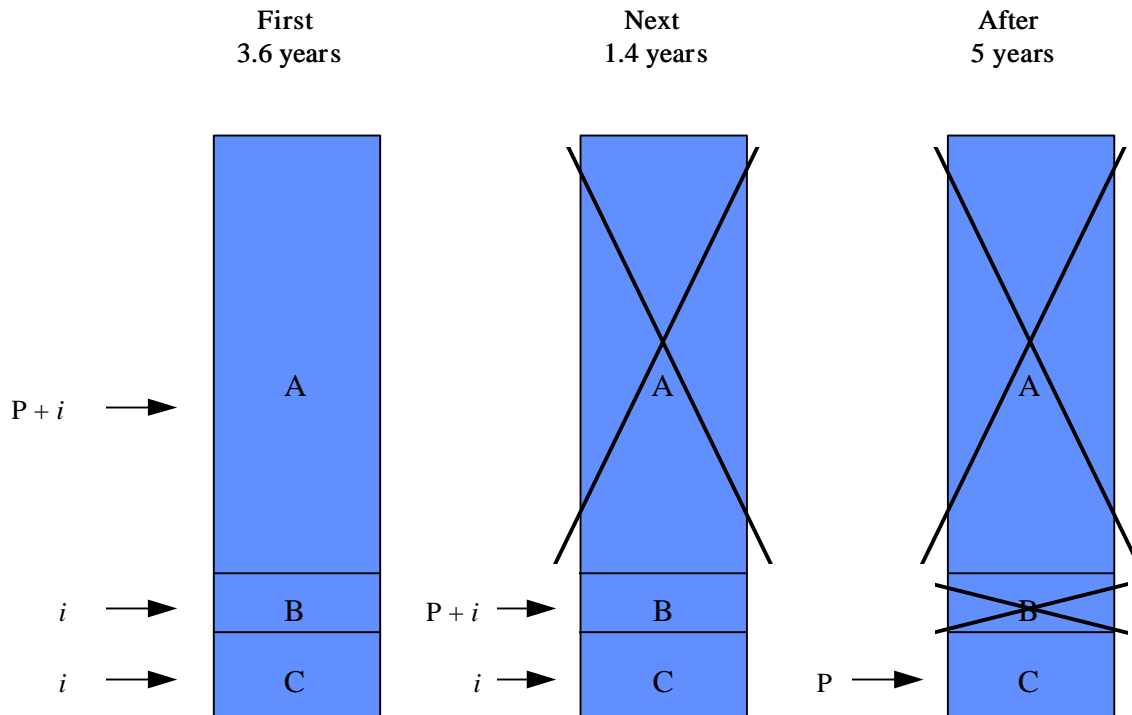
2 This class is **not rated**, or NR. This tranche would probably not be publicly sold.

This hypothetical security is structured into three tranches or classes of bonds (Classes A, B and C) that are secured or collateralized by the \$100 million aggregate pool of mortgages. As all of the principal and interest payments are made on the sum total of the mortgages, different payment streams will be allocated to investors who purchased bonds in Classes A, B or C. Just as light going through a prism is broken out into separate bands of color, the cash flowing from a pool of mortgages is distributed among different classes or groups of investors.

The most common payment structure is a “waterfall” payment sequence, so named because of the similarity to a champagne waterfall with tiers of glasses balanced on top of one another. In the early years of the security’s life, holders of Class A bonds will receive principal *and* interest payments, while holders of Class B and C bonds will receive *only* interest payments. Imagine that the highest tier of champagne glasses are represented by Class A bondholders who are receiving the first or priority payments.

After about 3.6 years (the average life for Class A indicated in Table 1-A), when \$80 million worth of principal and interest payments have been made, Class A will be paid off or retired. At that time, Class B bondholders will begin to receive principal payments in addition to the interest payments, while Class C bondholders will continue to receive only interest payments. Imagine that at this point the highest tier of champagne glasses has been filled, and the champagne (or principal payments) is spilling into the second tier of glasses.

In another 1.4 years (after 5 years from the original issuance of the security, based on the average life for Class B indicated in Table 1-A), Class B will be paid down or retired. At that time Class C will receive the remaining principal balance outstanding, or the balance of \$12 million, if all mortgages pay off as initially expected.



Other types of repayment patterns are possible besides the “waterfall” or sequential pay structure, but this has become the most common structure. Whatever the repayment sequence, *it must be stipulated and described in the prospectus*. The prospectus is the official document that describes all the material details of the total security.

To elaborate on the initial set of bonds, let’s look at more information about each class in this simple bond structure.

Table 1-B. \$100 MM CMBS, 5-Year, Fixed-Rate

Class	Size	Rating	Average Life	Coupon ¹	Subordination
Class A	\$80 MM	AA	3.6 years	7.05%	20%
Class B	\$8 MM	BBB	5.0 years	8.20%	12%
Class C	\$12 MM	NR			“First Loss Piece”

1 The coupon payment on each class of bonds is derived from the interest rate being paid on the underlying mortgages. The coupon paid *to* bondholders is typically slightly *less* than the rate received *from* borrowers on the underlying mortgages to allow for on-going costs in maintaining and monitoring the security.

The payment sequence described above assumes that all mortgages pay off fully and on time. Whatever the actual payment experience of \$100 million of mortgages, however, we can expect that there will be *some* departure from expectations. In other words, we do

not necessarily know what *will* happen in the payment experience, but that do know that in all likelihood not all of the mortgages will perform exactly as expected.

As a result, if there are some defaults within this pool of mortgages and subsequent deficiency (i.e., not all of the face value of the defaulted mortgages is recovered), then holders of Class C bonds will lose some of the principal of their bonds. For example, if 10% of the mortgages default (\$10 million), and if the holder of those mortgages recovers only 60% of the face value (bringing the value of the \$10 million of mortgages down to \$6 million), then there will be a shortfall of \$4 million. Class C will be the first to suffer a loss of principal, hence it is called “the first loss piece.” The \$12 million value of Class C would thus be reduced to \$8 million. If, however, the default rate is significantly higher, or if the recovery rate is significantly lower, such that there are \$15 million worth of losses in the total pool of mortgages, then Class C will recover no principal, and there will even be a shortfall of \$3 million eroding the value of Class B from \$8 million to \$5 million.

Since there would have to be \$12 million of losses before Class B is eroded, that class is said to have 12% (or \$12 million) behind it, or there is 12% **subordination** to the class. Likewise, losses would have to total \$20 million before principal payments to Class A are at risk, in that the pool of mortgages would have to experience \$12 million of losses to erode Class C *plus* \$8 million of losses to erode Class B. Thus, Class A is said to be protected by a 20% subordination level, or have 20% behind it to absorb losses first.

Subordination is one of several forms of credit enhancement. The whole point of the security structure is that *credit* risk is disproportionately allocated, and the credit quality of the highest-rated class is enhanced, i.e., that class is protected in some way from loss of principal.

This sequential payment structure — and sequential exposure to or risk of loss — is the reason that each of the classes carries a different rating and coupon payment. The *highest rating* is given to the class that gets paid off first, because the holders of those bonds are the *least likely* to fail to receive payment. Conversely, the *lowest rating* is given to the class that is *more likely* to suffer a loss in the event that the frequency of default or degree of loss is greater than expected. Similarly, the *highest-rated* class has the *lowest coupon* payment because it is exposed to the least risk and the total principal will be returned in a shorter period of time. In parallel, the *lowest-rated* class receives a *higher coupon* payment in exchange for lending their money for a longer period of time and assuming greater risk that they might not receive *full and timely payment of principal and interest*.

Highest Rated Class

Paid Off First	Lowest Coupon	Shortest Average Life	Most Subordination	Lowest Yield
----------------------	------------------	-----------------------------	-----------------------	-----------------

Lowest Rated Class

Paid Off Last	Highest Coupon	Longest Average Life	Least Subordination	Highest Yield
---------------------	-------------------	----------------------------	------------------------	------------------

In short, each bond class that is progressively rated lower typically has a higher coupon, a longer average life, and less subordination. For this added risk, investors require a higher yield, so below-investment grade classes often sell at a discount. As a result, the total yield to the investor includes both the coupon payment and the increased value of the bond between the time of purchase and the maturity of the bond, at which time the investor expects to be paid back at par. For such discount bonds, the total yield will thus be greater than the coupon payment.

Why 20% subordination for the double-A class? The estimate of 20% subordination in this example is a reasonable estimate, but the calculation for each security is made on the basis of the underlying collateral. The basic question is this: What level of “protection” is necessary to believe that the highest-rated class will receive *full and timely* repayment of *principal and interest* in the event of “a double-A real estate recession.” For reference, we might think of the stress of New England real estate markets in the late 1980s as a “triple-A real estate recession.” In other words, what protection is necessary for the highest-rated class not to experience a loss, given certain estimates of two variables:

- ⇒ The *risk of loss* or probability of loss.
- ⇒ The *severity of loss* in the event of default.

Subordination is analogous to earthquake protection: What level of structural soundness is necessary for a building to withstand a very severe earthquake that measures 6.0 on the Richter scale (i.e., what level of subordination would enable a security class to withstand the stress of a triple-A recession) vs. what level of structural soundness is necessary to withstand a more modest earthquake that measures only 2.0 (i.e., what level of subordination would enable a class to withstand the stress of a triple-B recession). Just as less structural soundness is required to withstand a less severe earthquake, less subordination is required to withstand a less severe real estate recession. The level of protection, or subordination, allocated to a lower-rated class is less — which is why the class has a lower rating.

Although the calculation of required subordination is specific to the collateral in a particular pool, the concept is as follows:

Double-A Stress Scenario

Foreclosure Frequency	X	Loss Severity	=	
40%	X	50%	=	
0.4	X	0.5	=	0.20 or 20%

[Assumes that a “double-A real estate recession” implies

a 40% probability of foreclosure and, in the event of default, a 50% loss of value.]

Triple-B Stress Scenario

Foreclosure Frequency	X	Loss Severity	=	
30%	X	40%	=	
0.3	X	0.4	=	0.12 or 12%

[Assumes that a “triple-B real estate recession” implies a 30% probability of foreclosure and, in the event of default, a 40% loss of value.]

And who decides how much subordination is required? In order for a security to be rated, the pool of mortgages is reviewed by one (or more) of the four major rating agencies (Duff and Phelps, Fitch Investors Service, Moody’s, and Standard and Poor). Each rating agency has a model that embeds many assumptions about each property type, quality of property, location, etc. These assumptions are integrated with data about the cash flow for each property, and the total pool cash flow is “stressed” against various scenarios. After a bit of an arm wrestle with the investment bank (which always wants lower subordination levels), the rating agency indicates that, for a given pool of mortgages, a triple-A class would need X% behind it to provide reasonable assurance that the bonds will be repaid fully and on time.

Scenario 2.

Let’s add another twist to the original bond structure:

Table 2. \$100 MM CMBS, 5-Year, Fixed-Rate

Class	Size	Rating	Coupon	DSCR	Average Life	Subordination
Class A-1	\$80 MM	AA	6.15%	2.0 x	3.6 years	20%
Class A-2	notional	AA	0.90%			
Class B	\$8 MM	BBB	8.20%	1.6 x	5.0 years	12%
Class C	\$12 MM	NR				“First Loss Piece”

In this version of the security, the cash flow that goes to the highest-rated, double-A class has been split. Part of the interest payment has been “stripped off” into an interest only class or IO strip. In this scenario, the interest on Class A-1 (6.15%) and on Class A-2, or the IO strip (0.90%), totals the coupon of Class A alone in the previous example (7.05%); this would not necessarily always be true. In other cases, the excess interest that pays into an IO strip might come from the difference between the interest rates on the underlying mortgages and the coupon payments on the bonds; when the underlying mortgage rates

are higher than the coupon payments, some excess interest (or “excess spread”) is left that can be dedicated to an IO class. Since the buyers of IO’s do not receive principal payments, only (residual) interest payments, the class is not defined by a principal amount. As a result, the “size” of the class is said to be “notional.” Many CMBS have IO strips because they are easy to sell, since there are a wide variety of investors who find IO strips to be of particular value, such as banks that are trying to match assets and liabilities.

Implications for Mortgage Banking

The growth in commercial real estate securitization is affecting the mortgage banking business at its very roots. Structuring a security for perhaps dozens of mortgages is much less costly and more efficient if all of the underlying mortgages are underwritten to similar standards and have similar documentation. As a result, an increasing number of lenders are moving towards standard loan and documentation formats. Also, portfolio lenders are more frequently seeing the advantage of “recycling” their capital by selling existing mortgages into a security and using those proceeds to make new loans. In order to “keep their options open,” many portfolio lenders want to originate loans with securitization as a possible exit strategy. As a result, even long-standing portfolio lenders are more frequently adopting a standardized loan format suitable for securitization.

Those mortgage bankers who understand the basic concepts of securitization will be better equipped to be competitive in the changing capital market landscape in commercial real estate.

=====

Sally Gordon is National Director of Real Estate Research for the Real Estate, Mortgage and Hospitality Consulting Group of KPMG Peat Marwick LLP.

This article is extracted from a course that she teaches at New York University, “CMBS: Structures and Innovations,” and a training program that is offered in-house at KPMG for the consultants in their real estate practice.

VI. Documentation



Representations and Warranties

The following comprise certain base representations and warranties to be delivered in connection with commercial mortgage securitizations. This list is not all-inclusive and may be modified or expanded depending on the specific terms and structure of a given transaction. This list is intended only as a general guideline for the scope and substance of typical provisions.

1. Mortgage Loan Schedule

The information with respect to each mortgage loan is true and correct in all material respects at the date or dates the information is given.

2. Ownership of Mortgage Loans

Immediately prior to the transfer and assignment of the mortgage loans to the purchaser, the seller is the sole owner of each mortgage loan and transfers the lease free and clear of all liens. Additionally, each mortgage loan should be a whole loan and not a participation interest in a mortgage loan.

3. Ratios

The debt-service-coverage ratio and loan-to-loan ratio with respect to each mortgage loan are not to be less than XXXX and XXXX, respectively, as of the cut-off date.

4. Payment Record

No mortgage loan is delinquent beyond any applicable grace period nor more than 30 days delinquent at any time subsequent to origination, without giving effect to any applicable grace period.

5. First-Lien Mortgage

Each mortgage is a legal first lien on the mortgage property, subject only to (a) the lien of the current real property taxes, ground rents, water charges and sewer rents, and assessments not yet due and payable, (b) exceptions and exclusions specifically referred to in lender's title insurance commitment or policy (including rights of way and easements), none of which materially interferes with the current use of the mortgaged property or the security intended to be provided by the mortgage, and (c) other matters to which like properties are commonly subject, none of which materially interferes with the current use of the mortgaged property or the security intended to be provided by such mortgage (collectively, "permitted encumbrances"). A UCC financing statement has been filed and/or recorded in all places necessary to perfect a valid security interest in the personal property, if any, granted under

such mortgage; any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the mortgage loan establishes and creates a valid and enforceable first lien and first priority security interest on the property described, provided that enforceability may be limited by bankruptcy or other laws affecting creditor's rights or by the application of the rules of equity.

6. *Assignment of Leases and Rents*

The mortgage file contains an assignment of leases or an assignment of rents (assignment of leases) either as a separate instrument or incorporated into the related mortgage, which creates, in favor of the holder a valid, perfected and enforceable lien of the same priority and rights described; provided that the enforceability of such lien is subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally, and by the application of the rules of equity. The seller has the full right to assign to the purchaser such assignment of leases and the lien created thereby as described in the immediately preceding sentence. No person other than the mortgagor owns any interest in any payments due under the related leases.

7. *Valid Assignment*

Each assignment of mortgage and related assignment of leases has been duly authorized, executed and delivered by the seller in recordable form, in order to validly convey the seller's interest to purchaser.

8. *Waivers and Modifications*

None of the terms of any lease, mortgage note, mortgage or assignment related to mortgage loan has been impaired, waived, altered or modified in any way, except by written instruments, all of which are included in the related mortgage file (and, to the extent necessary, all such waivers, alterations and modifications have been filed and/or recorded or submitted for record in all places necessary to perfect, maintain and continue the validity and priority of the lien of the mortgage). The related lessee, mortgagor or guarantor, if any, has not been released, in whole or in part, from its obligations related to the mortgage note, other than pursuant to releases previously approved in writing by the seller or any affiliate, copies of which are included in the related mortgage file.

9. *No Offset or Defense*

There is no right of rescission, offset, abatement, diminution, defense or counterclaim to any mortgage loan (including the defense of usury). The operation of any terms of the mortgage note or the mortgage, or the exercise of any rights under the agreement, will not render the mortgage note or the mortgage unenforceable, in whole or in part, or subject to any right of rescission, offset, abatement, diminution, defense or counterclaim (including the defense of usury or the violation of any applicable disclosure or consumer credit laws). No right of

rescission, offset abatement, diminution, defense or counterclaim has been asserted with respect thereto.

10. Mortgage Status

Neither the seller nor any prior holder of any mortgage loan has satisfied, canceled, rescinded or subordinated the mortgage in whole or in part, released the mortgaged property in whole or in part from the lien of the mortgage, or executed any instrument that would effect any such satisfaction, cancellation, rescission, subordination or release. The terms of the mortgage do not provide for a release of any portion of the mortgaged property from the lien of the mortgage.

11. Condemnation

To the best of the seller's knowledge, there is no proceeding pending for the total or partial condemnation of any mortgaged property.

12. Legal Compliance-Origination

All requirements of relevant federal, state and local law, rules and regulations have been satisfied or complied with in all material respects as they relate to the origination, funding servicing and the terms of the mortgage loans, including, without limitation, usury, truth in lending, real estate settlement procedures, consumer credit protection, equal credit opportunity or disclosure.

13. Title Insurance

The lien of each mortgage is insured by an ALTA lender's title insurance policy (or a binding commitment) or its equivalent, as adopted in the applicable jurisdiction. The policy insures the seller, its successor and assigns, as to the first priority lien of the mortgage in the original principal amount after the advances of principal, subject only to permitted encumbrances, none of which, individually or in the aggregate should interfere with the current use of the mortgaged property or materially detract from the benefit of the first priority lien of the mortgage. The seller or its successors or assigns are the sole named insured of the policy, and the policy is assignable to the purchaser without the consent of or any notification to the insurer. No claims have been made under such policy and no prior holder of the related mortgage has done anything, by act or omission, and the seller has no knowledge of any matter that would impair or diminish the coverage of such policy. The insurer issuing such policy is qualified to do business in the jurisdiction in which the mortgaged property is located, and the policy contains no exclusion for or affirmatively insures (a) access to a public road, (b) that there are no encroachments of any part of the buildings thereon over easements (except for any mortgaged property located in jurisdictions where such affirmative insurance is not available) and (c) that the area shown on the survey is the same as the property legally described in the mortgage.

14. No Holdbacks

The proceeds of each mortgage loan have been fully disbursed, or, in cases of partial disbursement, there is no requirement for future advances. To the best of the seller's knowledge, all requirements imposed by the originator to completion of any on-site or off-site improvements and to disbursements of any escrow funds have been complied with. Construction of the improvements on the mortgaged property is complete.

15. Mortgage Provisions

The mortgage note, mortgage and assignment of leases for each mortgage loan contain customary and enforceable provisions for commercial mortgage loans secured by properties such as the mortgaged properties, so as to render the rights and remedies of the holder adequate for the realization against the mortgaged property of the benefits of the security, including realization by judicial, or if applicable, non-judicial foreclosure subject to the affect of bankruptcy and similar laws affecting the rights of creditor and the application of principles of equity.

16. No Mortgage Default

There is no default, breach, violation or event of acceleration under the mortgage note, mortgage or assignment of leases, and no event that, with the passage of time or the giving of notice, or both, would constitute a default or event of acceleration, nor has the seller waived any such default. No foreclosure action or other form of enforcement has been threatened or commenced with respect to any mortgage.

17. Other Collateral

Each mortgage note does not, and has not since the date of origination of the related mortgage loan, secured by any collateral except the lien of the related mortgage, as assignment of the related leases, and any related security agreement. The mortgaged property does not secure any other mortgage loan not represented by the related mortgage note. No mortgage loan is cross-defaulted with any other mortgage loan nor is any mortgage loan secured by the mortgaged property that secures another mortgage loan.

18. Trustee Under Deed of Trust

In the case of any mortgage that is a deed of trust, a trustee, duly qualified under applicable law to serve as such, is properly designated and serves in accordance with applicable laws. No fees or expenses are payable to the trustee under the deed of trust, except in connection with a trustee's sale after default by the mortgagor or in connection with the release or the mortgaged property or related security for the mortgage loan following the payment of the mortgage loan in full.

19. Leases

The seller has delivered the purchaser a complete schedule of all leases with respect to each mortgaged property as of a date not more than 30 days prior to the closing date set forth in the attached schedule XXX. Based on mortgagor representations, tenant estoppel certificates and other documents obtained by the seller, (i) the information contained therein is true and correct in all material respects, (ii) such leases are in full force and effect, and (iii) no default by the mortgagor or the lessees has occurred under such leases, nor, to the best of the seller's knowledge, is there any existing condition which, but for the passage of time or the giving of notice, or both, would result in a default under the terms of such lease.

(Applicable to commercial loans with anchor tenants; multifamily properties may refer to attached rent roll.)

20. Lease Termination

No lease may be amended, terminated or canceled, and the lessee may not be released from its obligations, except under are certain limited events relating to material damage to, or destruction of, the mortgaged property, or condemnation of less than the entire mortgaged property, which, in any case, the lessee in good faith determines will render its continued occupancy and use of the remainder of the mortgaged property economically unsound, or condemnation of all the mortgaged property. (Applicable to retail/office loans.)

21. Condition of Mortgaged Property

Each mortgaged property is in good repair and condition, free of any material damage.

22. Local Law Compliance

Each mortgaged property is in compliance with all applicable laws, zoning ordinances, rules, covenants and restrictions affecting the construction, occupancy, use and operation of such mortgaged property. All inspections, licenses and certificates required, including certificates of occupancy, whether by law, ordinance, regulation or insurance standards to be made or issued with regard to the mortgaged property, have been obtained and are in full force and effect.

23. Environmental Compliance

In each mortgage, the mortgagor represents and warrants that it has not and will not use, cause or permit to exist on the related mortgaged property any hazardous materials in any manner that violate federal, state or local laws, ordinances, regulations, orders, directives or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, reduction or disposal of hazardous materials. The mortgagor agrees to indemnify, defend and hold the purchaser and its successors and/or assigns harmless from and against any and all losses, liabilities, damages, injuries, penalties, fines, expenses, and claims of any kind whatsoever (including attorney's fees and costs) paid, incurred, or suffered by, or

asserted against, any such party resulting from a breach of any representation, warranty or covenant given by the mortgagor under the mortgage. A Phase I environmental report has been conducted by an independent licensed (if required), reputable environmental engineer in connection with each mortgage loan, which did not indicate any noncompliance or existence of hazardous materials. To the best of the seller's knowledge, the mortgaged property is in material compliance with all applicable federal, state and local laws pertaining to environmental hazards, and no notice of violation of such laws has been issued by any governmental agency or authority.

24. Opinion re Mortgage Enforceability

Each mortgage file contains an opinion letter(s) from counsel to the mortgagor which opines that, among other things, (A) the mortgage note, the mortgage, the assignment of leases, the UCC-1 or UCC-3 financing statement and all other documents and instruments evidencing, guaranteeing, insuring or otherwise securing the mortgage loan are genuine, and that each is the legal, valid and binding obligation of the maker, enforceable in accordance with its terms, except as the enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws relating to or affecting the rights of creditors and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) (B) all parties (other than the originator) to the mortgage note, the mortgage, the assignment of lessee, the UCC-1 and UCC-3 financing statement and each other document and instrument evidencing, guaranteeing, insuring or otherwise securing the mortgage loan have legal capacity to enter into the mortgage loan and to execute and deliver the mortgage note, the mortgage, the assignment of leases and other documents and instruments, (C) all necessary approvals, consents and authorizations required to be obtained by any party (other than the originator) have been obtained, and (D) the mortgage note, the mortgage, the assignment of leases and other documents and instruments have been duly authorized, executed and delivered by the parties (other than the originator).

25. Insurance

Each mortgaged property and all improvements are covered by insurance policies providing coverage against loss or damage sustained by (i) fire and extended perils included within the classification "All Risk of Physical Loss" in an amount sufficient to prevent the mortgagor from being deemed a coinsurer, and to provide coverage on a full replacement cost basis; and the policies contain a standard mortgagee clause naming mortgagee and its successors as additional insureds; (ii) business interruptions or rental loss insurance, in an amount at least equal to 12 months of operations of the mortgaged property; (iii) flood insurance (if any portion of the mortgaged property is located in an area identified by the Federal Emergency Management Agency as having special hazards); (iv) comprehensive general liability insurance in amounts as are generally required by commercial mortgage lenders, and in any event not less than \$2 million per occurrence; (v) workers' compensation insurance; and (vi) other insurance as applicable to specific circumstances and criteria. The insurer in each case is qualified to write insurance in the relevant jurisdiction and has a claims paying ability rating from the rating agency of not less than 'A'. The insurance policies contain clauses providing

they are not terminable and may not be reduced without 30 days prior written notice to the mortgagee, and all premiums due and payable through the closing date have been made. NO notice of termination or cancellation with respect to any such policies has been received by the seller.

26. Loan Underwriting

Each mortgage loan complies with all of the terms, conditions and requirements of the seller's underwriting standards in effect at the time of origination of such mortgage loan.

27. Status of Mortgage Documents

The mortgage note, related mortgage, any guaranty, assignment of leases and/or rents, security agreement, and chattel mortgage, each instrument delivered, and all other documents evidencing, securing, guaranteeing, insuring or otherwise relating to the mortgage loan are genuine and the legal, valid and binding obligation of its maker, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights, or by the application of the rules of equity.

28. Inspections

The seller has inspected or caused to be inspected each related mortgaged property within the last 12 months.

29. Taxes and Assessments

There are no delinquent or unpaid taxes or assessments (including assessments payable in future installments), or other outstanding charges affecting any mortgaged property that are or may become a lien of equal or coordinate or higher priority than the lien of the mortgage.

30. Liens

There are no mechanics or similar liens or claims that have been filed for work, labor or material. There are no claims outstanding that under applicable law could give rise to such lien, affecting the related mortgaged property which are nor may be a lien prior to, or equal or coordinate with, the lien of the related mortgage.

31. Mortgagor Bankruptcy

To the best of the seller's knowledge, no mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding.

32. Fee Simple Interest

Each mortgaged property consists of an estate in fee simple in real property and improvements owned by the mortgagor. The buildings and improvements on the mortgaged property are owned by the mortgagor and used and occupied for commercial purposes in accordance with applicable law.

33. Loan Terms

No mortgage loan has a shared appreciation feature, other contingent interest feature or negative amortization.

34. Transfers and Subordinate Debt

The mortgage contains a "due on sale" clause that provides for the acceleration of the payment of the unpaid principal balance of the mortgage loan if, without the prior written consent of the holder, the property subject to the mortgage, or any interest therein, is directly or indirectly transferred or sold. The mortgage prohibits any further pledge or lien on the mortgaged property, whether equal or subordinate to the lien of the mortgage, without the prior written consent of the holder. (Any exceptions must be approved by DCR.)

35. Financial Statements

Each mortgage requires the mortgagor to provide the holder with quarterly and annual operating statements, rent rolls and related information. Annual financial statements must be audited by an independent certified public accountant upon the request of holder.

36. Escrow Deposits

All escrow deposits and payments relating to each mortgage loan are in the possession or under the control of the seller, and all amounts required to be deposited by the applicable mortgagor under the related mortgage loan documents have been deposited, and there are no deficiencies regarding them. All such escrows and deposits have been conveyed by seller to purchaser and identified as such with appropriate detail.

37. Selection Process

The seller has taken no action in selecting the mortgage loans for sale, assignment and transfer to the purchaser which, to the seller's knowledge, would result in delinquencies and losses on mortgage loans being materially in excess of delinquencies and losses on the seller's actual portfolio of commercial mortgage loans.

38. Borrower Concentration

As of the closing date, not more than 5% of the aggregate outstanding principal amount of the mortgage loans have been the same mortgagor or, to the seller's best knowledge, are to mortgagors which are affiliates of each other. (Exceptions should be noted. Indicate whether nonconsolidation opinions have been provided.)

39. Single-Purpose Entity

Each mortgagor is either a corporation or a limited partnership whose organizational documents provide that it is, and at least so long as the mortgage loan is outstanding will continue to be, a single-purpose entity" shall mean a person, other than an individual, which is formed or organized solely for the purpose of owning and operating a single property, does not have any assets other than those related to its interest in the property or its financing, or any indebtedness other than as permitted by the related mortgagee or the other mortgage loan documents, has its own books and records and accounts separate and apart from any other person, and holds itself out as being a legal entity, separate and apart from any other person, and holds itself out as being a legal entity, separate and apart from any other person.) If the foregoing entity is a limited partnership, (i) one general partner must be a single-purpose entity, and (ii) the partnership agreement must provide that the dissolution and winding up or insolvency filing of such limited partnership requires the unanimous consent of all general partners.

40. Servicing

No other person has been granted or conveyed the right to service the mortgage loans to receive any consideration in connection therewith.

In the event representation (32) regarding fee simple interest cannot be made, the substance of the following representations regarding ground leases should be incorporated and approved by DCR.

41. Ground Leases

With respect to any mortgage loan secured by a mortgage constituting a valid first lien on an unencumbered interest of the mortgagor as lessee under a ground lease of the related mortgaged property, but not by the related fee interest in such mortgaged property, the seller represents and warrants that:

- (i) The ground lease or a memorandum regarding it has been duly recorded. The ground lease permits the interest of the lessee to be encumbered by the related mortgage and does not restrict the use of the related mortgaged property by such lessee, its successors or assigns in a manner that would adversely affect the security provided by the related mortgage. There has been no material

change in the terms of such ground lease since its recordation, except by written instruments, all of which are included in the related mortgage file.

- (ii) The lessor under such ground lease has agreed in writing and included in the related mortgage file that the ground lease may not be amended, modified, canceled or terminated without the prior written consent of the mortgagee and that any such action without such consent is not binding on the mortgagee, its successors or assigns.
- (iii) The ground lease has an original term (or an original term plus one or more optional renewal terms, which, under all circumstances, may be exercised, and will be enforceable, by the mortgagee) that extends not less than 10 years beyond the stated maturity of the related mortgage loan.
- (iv) The ground lease is not subject to any liens or encumbrances superior to, or of equal priority with, the mortgage. The ground lease is, and provides that it shall remain, prior to any mortgage or other lien upon the related fee interest.
- (v) The ground lease does not permit any increase in the amount of rent payable by the lessee thereunder during the term of the mortgage loan. (Exceptions must be provided to DCR).
- (vi) The ground lease is assignable to the mortgagee under the lease hold estate and its assigns without the consent of the lessor thereunder.
- (vii) As of the date of execution and delivery, the ground lease is in full force and effect and no default has occurred, nor is there any existing condition which, but for the passage of time or giving of notice, would result in a default under the terms of the ground lease.
- (viii) The ground lease or ancillary agreement between the lessor and the lessee requires the lessor to give notice of any default by the lessee to the mortgagee. The ground lease or ancillary agreement further provides that no notice given is effective against the mortgagee unless a copy has been given to the mortgagee in a manner described in the ground lease or ancillary agreement.
- (ix) A mortgagee is permitted a reasonable opportunity (including, where necessary, sufficient time to gain possession of the interest of the lessee under the ground lease through legal proceedings, or to take other action so long as the mortgagee is proceeding diligently) to cure any default under the ground lease which is curable after the receipt of notice of any default before the lessor may terminate the ground lease. All rights of the mortgagee under the gourd lease and the related mortgage (insofar as it relates to the ground lease) may be exercised by or on behalf of the mortgagee.

- (x) The ground lease does not impose any restrictions or subletting that would be viewed as commercially unreasonable by an institutional investor. The lessor is not permitted to disturb the possession, interest or quiet enjoyment of any subtenant of the lessee in the relevant portion of the mortgaged property subject to the ground lease for any reason, or in any manner, which would adversely affect the security provided by the related mortgage;
- (xi) Under the terms of the ground lease and the related mortgage, any related insurance proceeds or condemnation award (other than in respect of a total or substantially total loss or taking) will be applied either to the repair or restoration of all or part of the related mortgaged property, with the mortgagee or a trustee appointed by it having the right to hold and disburse such proceeds as repair or restoration progresses, or to the payment of the outstanding principal balance of the mortgage loan, together with any accrued interest.
- (xii) Under the terms of the ground lease and the related mortgage, any related insurance proceeds, or condemnation award in respect of a total or substantially total loss or taking of the related mortgaged property will be applied first to the payment of the outstanding principal balance of the mortgage loan, together with any accrued interest (except in cases where a different allocation would not be viewed as commercially unreasonable by any institutional investor, taking into account the relative duration of the ground lease and the related mortgage and the ratio of the market value of the related mortgage property to the outstanding principal balance of such mortgage loan). Until the principal balance and accrued interest rate are paid in full, neither the lessee nor the lessor under the ground lease will have the option to terminate or modify the ground lease without the prior written consent of the mortgagee as a result of any casualty or partial condemnation, except to provide for an abatement of the rent.

Trust Indenture/Trustee

Minimum requirements necessary in the indenture are:

- Eligible investment criteria for investment of trust funds will be established. All investments should be 'AAA' rated instruments or U.S. government securities (i.e., cash equivalents).
- All funds held in a corporate trust account must be segregated from other accounts. Funds held in trust should be adequately collateralized pursuant to Office of the Comptroller of the Currency regulations. The indenture should require immediate investment of funds into eligible investments.
- Cash flow of funds within the indenture will be reviewed and determinations made as to:
 - Priority of distributions principal, interest, fees, expenses and subordinate classes.
 - Release of funds from the indenture,.
 - Receipt of investment income, and whether such income will first replenish a reserve account or similar accounts.

Notice Requirements/Reports Notice from the trustee regarding any default under the indenture, servicing agreement or mortgage, failure to maintain minimum reserve amounts, proposed replacement of trustee or servicer, and any change or default relating to existing credit enhancement should be provided. Additionally, issuer payment delinquencies and material amendment to the transaction documents and anything that alters or materially affects the transaction should be provided.

The following reports from the trustee and/or the issuer, at a minimum, should be provided:

- Audited Financial Statements within 90-120 days after fiscal year end certified by independent certified public accountants.
- Unaudited quarterly cash flow/operation statements. These should indicate DSCR.
- Delinquency reports at 30-, 60- and 90-day periods on a quarterly basis.
- Other compliance certificates and reports as provided in the indenture and other transaction documents.

Indemnification of Trustee/Limits on Liability Standard provisions generally are acceptable; however, a "gross negligence" standard is not. The trustee will not be relieved from liability for, or indemnified against, its own action or inaction that constitutes negligence.

Provision of Reports Trustee must take notice of defaults with respect to failure of issuer to provide timely reports, statements and certificates required by the transaction documents. Also, trustee should affirmatively check compliance with minimum ratings of insurance company, servicer or other entities on a regular basis.

Requirements of Trustee A minimum long-term debt rating of 'A' is required if trustee is obligated to make advances directly or as back-up to servicer, otherwise a rating of 'BBB' is required. Back-up servicing or advancing function may be required. Minimum capital surplus of \$50 million is required.

Bondholder Vote In many instances a majority or super-majority is acceptable for major decisions. However, a 100% vote is required to reduce interest rate, change the term/maturity or reduce the principal and change voting percentages. Other items may require full bond-holder approval.

Redemption provisions Whether or not there will be any requirements for or limitations on early, optional or mandatory redemptions will be determined.

Defeasance of Securities requires deposit of collateral with appropriate maturities and a ratings equivalent to or better than the securities being defeased (as described in "Eligible Investments" under Trust Indenture/Trustee).

Pooling and Servicing Agreement/Master Servicer

In the case of pass-through securities where a pooling and servicing agreement is utilized, many of the considerations under "Trustee Indenture/Trustee" above will apply, together with an evaluation of the master servicer and the following points:

- Representations and warranties as to mortgage loans/assets conveyed to trustee will be confirmed. Seller/depositor should have a cure or repurchase obligation as to any material breach (see Exhibit 8).
- Trustee/custodian should review mortgage file(s) to determine completeness within 30 to 120 days after closing.
- If the master servicer will have any advancing functions (e.g., principal and interest payments, taxes and insurance), they should be through foreclosure and liquidation.

- Generally, a master servicer should be rated 'A' by DCR when there is an advancing agreement. Otherwise, 'BBB' is sufficient.
- Detailed servicing and accounting records must be maintained; 30-, 60- and 90-day delinquency and default status reports and certifications should be provided quarterly.
- Collections should be remitted to the trustee on at least a monthly basis. A segregated account must be utilized.
- Master servicer may not resign or be removed until a qualified substitute servicer has been appointed.
- Property inspections should be performed on a regular basis (e.g., once per year and after 60 days delinquency).
- Special servicer may also be required to handle defaulted and troubled loans. Limits on servicer's authority to modify and reform loans should be established.
- Amount and source of compensation will be considered along with the priority in distribution of trust funds.
- Servicer should monitor borrowers' compliance with minimum insurance carrier rating policy coverage requirements.
- In general, the same criteria regarding financial statements will apply as in "Trust Indenture/Trustee" above, except that property operating statements, audited for each property, should be provided in a pool of fewer than 20 loans. If all properties are owned by the same borrower, then the statements should be provided for each property, but audited only as to the pool.

Forms of Credit Enhancement

Various types of credit enhancement are involved in rated transactions, including letters of credit, senior/subordinate structure, master leases, surety bonds, insurance policies, reserve funds and overcollateralization. Consideration will be given to the legal and other criteria required for each of these types of credit enhancements.

Other Matters and Comments

Transfer Restrictions In general, a sale or transfer of the property by borrower is prohibited. DCR may allow a transfer to another SPV, so long as satisfactory nonconsolidation opinion is provided or an entity with a long-term (beyond term of rated securities) debt rating equal to or greater than rated securities.

Additional Amounts/Tax Withholding Gross-Up International transactions frequently provide the borrower to withhold for tax liabilities. This obligation has the effect of increasing the payment obligation of the borrower by the amount of tax and could adversely impact cash flows.

Interest-Only Securities Special disclosure should be provided in offering circular concerning significance and meaning of ratings of interest-only securities.

VII. Post Securitization Requirements



Post Securitization Requirements

The CMBS servicer is responsible to the trustee who acts on behalf of the certificate holders. In addition to the normal servicing functions (payment processing, escrow administration, collections, loan accounting, etc.) there are other duties required of the servicer regarding securitization. Other procedures include liquidity advancing, trustee reporting, rating agency reviews, SEC filings, etc. Specific responsibilities for each CMBS transaction are dictated by the contract between the issuer and the servicer. This document is commonly referred to as the *pooling and servicing agreement* or PSA.

Commercial loans are more complex as many require multiple reserve accounts, springing covenant, and cash lock boxes. Investors and rating agencies depend on the servicer to provide timely accurate information which is used to evaluate the credit quality of the deal. This has required approved CMBS servicers to continually upgrade their data collection and distribution capabilities with sophisticated software systems, and maintain a highly qualified staff of real estate professionals.

For a CMBS servicer to be selected it must be first approved by the rating agency or agencies that are to provide ratings for the issued certificates. The approval process differs from agency to agency and each respective agency makes available a list that provides the names of approved CMBS servicers.

Post Securitization Requirements

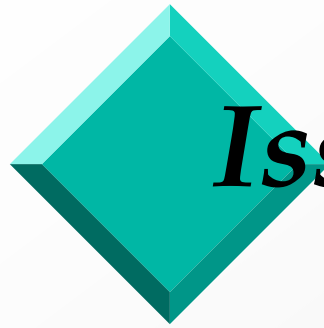
- I. Servicing
 - A. Investor Guidelines
 - 1. Servicing
 - 2. Asset administration
 - B. Interaction with Master Servicer/Trustee
 - 1. Monthly activity
 - 2. Property information
 - C. Oversight by Master Servicer
 - 1. Issues
 - a) loan level activity
 - b) escrow administration
 - c) cash balancing/accounting
 - 2. Tools
 - a) shadow servicing
 - b) copies of items; reconciliations, escrow activity

- II. Collateral Information
 - A. Property Administration/Asset Administration
 - 1. activity, items to be tracked
 - 2. frequency of reporting

- III. Other
 - A. Concerns about long term profitability of servicing
 - B. Concentration in the marketplace
 - C. What role will technology play in surviving players?

VIII. Appendix





Issuance Rankings

Nine-Month Ranking of CMBS Lead Managers

		9M-98 Issuance (MM.)	No. of Deals	Market Share (%)	9M-97 Issuance (MM.)	No. of Deals	Market Share (%)
1	Morgan Stanley	\$12,945.9	13.5	22.9	\$3,215.8	11.0	12.4
2	Lehman Brothers	10,743.1	10.5	19.0	5,580.3	9.0	21.4
3	Merril Lynch	5,401.5	5.0	9.6	1,008.2	2.0	3.9
4	Credit Suisse First Boston	4,838.7	3.0	8.6	2,141.2	3.0	8.2
5	Donaldson, Lufkin & Jenrette	4,513.0	7.0	8.0	3,049.9	8.0	11.7
6	Goldman Sachs	3,313.0	5.5	5.9	1,749.4	5.0	6.7
7	Deutsche Bank Securities	3,305.0	2.5	5.9	1,007.3	1.5	3.9
8	Nomura Securities	3,053.3	1.5	5.4	1,902.9	2.0	7.3
9	Citicorp Securities	2,152.6	2.5	3.8	1,273.7	4.5	4.9
10	NationsBanc Montgomery	1,294.5	3.0	2.3	749.4	2.5	2.9
11	Prudential Securities	1,148.7	1.0	2.0	516.9	0.5	2.0
12	Chase Securities	1,077.7	2.0	1.9	266.9	0.5	1.0
13	Bear Stearns	1,046.5	2.0	1.9	266.9	0.5	1.0
14	J.P. Morgan	936.4	2.0	1.7	1,126.9	2.5	4.3
15	BT Alex. Brown	422.8	1.0	0.7	0.0	0.0	0.0
16	Warburg Dillon Read	250.3	11.0	0.4	237.2	8.0	0.9
	OTHERS	0.0	0.0	0.0	1,932.4	12.5	7.4
	TOTAL	56,443.0	73.0	100.0	26,025.3	73.0	100.0

Ranking of CMBS Lead and Co-Managers

		9M-98 Issuance (MM.)	No. of Deals	Market Share (%)	9M-97 Issuance (MM.)	No. of Deals	Market Share (%)
1	Morgan Stanley	\$17,661.1	17.0	14.9	\$5,115.9	13.0	12.1
2	Merril Lynch	14,276.3	11.0	12.0	1,008.2	2.0	2.4
3	Lehman Brothers	11,277.7	10.0	9.5	7,330.0	12.0	17.4
4	Deutsche Bank Securities	10,081.9	7.0	8.5	1,855.8	2.0	4.4
5	Nomura	7,352.1	4.0	6.2	1,902.9	2.0	4.5
6	DLJ	5,682.2	9.0	4.8	3,049.9	8.0	7.2
7	First Union	5,135.9	2.0	4.3	1,305.4	1.0	3.1
8	Credit Suisse First Boston	4,838.7	3.0	4.1	2,141.2	3.0	5.1
9	Goldman Sachs	4,426.1	7.0	3.7	1,749.4	5.0	4.1
10	PNC Capital Markets	4,083.5	2.0	3.4	0.0	0.0	0.0
11	Bear Stearns	3,500.8	4.0	3.0	533.8	1.0	1.3
12	BankAmerica	3,408.0	1.0	2.9	0.0	0.0	0.0
13	ContiFinancial	2,923.8	2.0	2.5	158.8	1.0	0.4
14	South Trust Securities	2,923.8	2.0	2.5	0.0	0.0	0.0
15	Greenwich Natwest	2,891.3	1.0	2.4	0.0	0.0	0.0
16	Citicorp	2,799.8	3.0	2.4	1,603.0	5.0	3.8
17	Paine Webber	2,482.9	1.0	2.1	761.6	3.0	1.8
18	J.P. Morgan	1,946.0	3.0	1.6	1,643.8	3.0	3.9
19	Llama	1,816.5	1.0	1.5	1,697.0	1.0	4.0
20	Daiwa	1,734.4	2.0	1.5	965.1	2.0	2.3
21	NationsBanc	1,294.5	3.0	1.1	1,078.7	3.0	2.6
22	Residential Funding	1,192.2	1.0	1.0	1,697.0	1.0	4.0
23	Prudential Securities	1,148.7	1.0	1.0	1,033.7	1.0	2.4
24	CIBC World Markets	1,148.7	1.0	1.0	0.0	0.0	0.0
25	Chase Securities	1,077.7	2.0	0.9	1,131.2	3.0	2.7
26	Legg Mason	646.1	1.0	0.5	0.0	0.0	0.0
27	BT Alex. Brown	422.8	1.0	0.4	0.0	0.0	0.0
28	SBC Warburg Dillon Read	250.3	11.0	0.2	354.7	9.0	0.8
29	CBA Securities	184.4	1.0	0.2	0.0	0.0	0.0
	OTHERS	0.0	0.0	0.0	4,103.1	17.0	9.7
	TOTAL	118,608.2	114.0	100.0	42,220.2	98.0	100.0

3rd-Quarter Underwriter Ranking

		3Q-98 Issuance (\$MM.)	No. of Deals	Market Share (%)
1	Morgan Stanley	\$3,613.6	4.5	27.8
2	Merril Lynch	\$2,993.6	2.0	23.0
3	Lehman Brothers	\$2,676.0	2.0	20.6
4	Deutsche Bank Securities	\$1,677.7	1.5	12.9
5	Prudential Securities	\$1,148.7	1.0	8.8
6	Donaldson, Lufkin & Jenrette	\$905.4	2.0	7.0
	TOTAL	\$13,015.0	13.0	100.0

Top Conduit Programs to Date

Based on collateral contributions to securitizations

		1993-1997 Issuance (\$MM.)	Share %
1	Nomura	\$ 3,439.2	12.5
2	DLJ	2694.9	9.8
3	Merril Lynch	1889.7	6.9
4	First Union	1862.4	6.8
5	CS First Boston	1579.7	5.7
6	Lehman Brothers	1553.9	5.7
7	NationsBanc	1415.7	5.2
8	Morgan Stanley	1234.7	4.5
9	J.P. Morgan	1229	4.5
10	Citicorp	1096.9	4.0
11	Wells Fargo	1082.1	3.9
12	Heller	1028.8	3.7
13	Midland	868.4	3.2
14	Daiwa	832.3	3.0
15	Chase	702.2	2.6
16	ContiTrade	653.5	2.4
17	Kidder Peabody	617.2	2.2
18	Paine Webber	572.6	2.1
19	Ocwen Financial	484.1	1.8
20	Amresco	456.1	1.7
21	Smith Barney	359.5	1.3
22	Bear Stearns	345	1.3
23	Dillon Read	313.5	1.1
24	GMAC	278.9	1.0
25	Salomon Brothers	212	0.8
26	GE Capital	160	0.6
27	ING Capital	158.1	0.6
28	Deutsche Morgan Grenfell	150	0.5
29	Capital Lease Funding	129.4	0.5
30	Llama Co.	54.3	0.2
31	Goldman Sachs	24	0.1
	TOTAL	\$27,478.1	\$ 100.0

Approved Commercial Loan Servicers/Master Servicers

Name of Firm, Location	S&P's Rating (Loan Servicer)	Fitch's Rating (Master Servicer)	Contact	Phone
Aegon USA Realty Advisors, Cedar Rapids, Iowa	Above Average		Linday Schumacher	319-398-8000
Amresco, Dallas	(Undisclosed) (1)	Acceptable	Robert L. Adair	214-953-7732
Banc One Management and Consulting, Dallas	Above Average (2)	Acceptable	Robert E. Young	214-290-6840
Bank of America, Los Angeles	Above Average	Acceptable	Stephanie Whited	213-290-8840
Bankers Trust, Irvine, Calif.	(Undisclosed) (3)	Acceptable (4)	Charles Cantrell	213-345-6360
Back United of Texas FSBm Houston	(Undisclosed)		Michael Davitt	714-253-7575
Chase COmmercial Mortgage Banking, New York	(Undisclosed)		Janice M. Smith	713-543-6500
Conning Asset Management Inc., St. Louis	(Undisclosed)	Acceptable	William L. Fields	212-622-3401
Criimi Mae, Rockville, Md.		Acceptable	Brian Hanson	314-444-0414
First Union National Bank, Charlotte	Average	Acceptable	Timothy Ryan	301-468-3151
GE Capital Asset Management, Houston	Strong	Acceptable	Ann Hambly	704-374-2217
GMAC Commercial Mortgage, Elkins Park, Pa.	Strong (3)	Acceptable	Barry A. Moore	713-964-4232
Hudson Advisors, Dallas	(Undisclosed)	Acceptable	Robert Corcoran	215-881-3808
KeyBank of New York, Buffalo	(Undisclosed)		Deborah Fleischman	214-754-8433
Laureate Realty Services, Charlotte	Average		Thomas S. Dennard	715-651-140?
Mellon Mortgage, Cleveland	Above Average	Acceptable	Deborah Rogan	216-736-2790
Midland Loan Services, Kansas City, Mo.	Above Average	Acceptable	Stacey Berger	202-962-9500
Pacific Mutual Life, Newport Beach, Calif.	Strong	Acceptable	Michael S. Robb	714-640-3904
Phoenix Realty Securities, Hartford	Above Average		Barbara Rubin	880-403-5488
TRI Capital Corp., San Francisco	Average		John T. Sweazey	415-958-4545
Wells Fargo Bank, San Francisco	(Undisclosed)	Acceptable	Tanni Graichen	510-677-5252
WMF.Huntoon, Paige-Associates, Edison, N.J.	(Undisclosed)		James L. Clouser	908-767-8700

Approved Special Servicers/Asset Managers

Name of Firm, Location	S&P's Rating (Loan Servicer)	Fitch's Rating (Master Servicer)	Contact	Phone
Aegon USA Realty Advisors, Cedar Rapids, Iowa	Average		Thomas Nordstrom	319-398-7917
Aetnat Life Insurance, Hartford	Strong	Above Average	Elaine A. Sarsynaki	860-273-1799
Amresco, Dallas	Strong	Superior	Robert L. Adair	214-953-7732
Archon Group LP, Irving, Texas		Superior	Richard Reynolds	214-868-2401
Banc One Management and Consulting, Dallas	Strong	Superior	Robert E. Young	214-290-6840
Bank of America, Los Angeles	(Undisclosed)	Average	Stephanie Whited	213-345-6360
Conning Asset Management, St. Louis		Average	William L. Fields	314-444-0414
Criimi Mae, Rockville, Md.	(Undisclosed)	Average	Brian Hanson	301-468-3151
Crown Northcorp, Columbus, Ohio	Above Average		Ronald E. Roark	614-488-1169
Financial Conservators, Baltimore	(Undisclosed)		Kimberly von Paris	410-385-8922
Fleet Real Estate Capital, Boston	Above Average	Above Average	Mark Connors	617-927-2070
GE Capital Realty Group, Dallas	Strong	Above Average	Pamela S. Shutz	214-447-2500
GMAC Commercial Mortgage Corp., Elkins Park, Pa.	(Undisclosed)	Above Average	Eric Lidner	415-391-6155
Hudson Advisors, Dallas	(Undisclosed)	Above Average	Robert Corcoran	214-754-8433
J.E. Robert Cos., McClean, Va.	Above Average	Superior	Jonathan Kern	703-714-8000
Jones Lang Wooton Realty Advisors, New York		Average	Dan Hefflin	212-883-2541
J-Hawk Corp., Waco, Texas	Above Average		James C. Holmes	817-751-1750
Lennar Partners, Miami	(Undisclosed)	Superior	Jeffrey Krasnoff	305-559-4000
Midland Loan Services, Kansas City, Mo.	Above Average	Above Average	Stacey Berger	202-962-9500
Ocwen Federal Bank FSB, West Palm Beach, Fla.	Strong	Above Average	Jordan Paul	581-681-8606
Pacific Mutual Life Insurance, Newport Beach, Calif.	Above Average	Above Average	Michael S. Robb	714-640-3904
PNC Capital Recovery, Pittsburgh			H. Lewis Lobdell	412-762-5832
Principal Mutual Life Insurance, Des Moines, Iowa	(Undisclosed)		Tammie Gulling	515-248-9624
Real Estate Recovery, Hemdon, Va.	Average		Christopher Kallivokas	703-742-6789
Trotter Kent, Bethesda, Md.		Average	Louis Trotter	301-564-9650
Wells Fargo Bank, San Francisco	(Undisclosed)	Above Average	George E. Huxtable	415-396-7144