

A Lender Roundtable: Real Talk from Real Lenders on Today's Competitive Commercial and Multifamily Lending Environments

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Stephanie Petosa. Thanks to everyone for participating on our 2015 Lender Roundtable. We are fortunate to have a broad spectrum of seasoned CRE lenders with us today: Brian Furlong represents life company lenders, Clay Sublett bank portfolio lenders, Spencer Kagan bank CMBS lenders, and Larry Brown non-bank CMBS lenders. This group provides us with a 360-degree view of today's lending environment, including its positive, negatives, challenges and opportunities. So let's get started.

Competition: *Never Interrupt Your Enemy When He Is Making a Mistake* (Napoleon Bonaparte 1769-1821)

Lisa Pendergast. Few would argue that competition hasn't increased for all capital providers, be it portfolio lenders, the GSEs, or CMBS lenders. Despite the increasingly competitive lending landscape, demand for capital should increase in 2015 and over the next two years given the anticipated high volume of maturing loans and historically high levels of commercial-property transactions. How is competition affecting the way you think about the business and what you anticipate over the next couple of years?

Brian Furlong. I don't think real estate or structured finance is leading the way in terms of a boom. It's not overheated compared to how it was in 2007 when real estate and structured finance in particular did help lead the boom. When you think about what went wrong, a lot of it was excess in structured finance and I don't think that's true today. The premise that we're overheated is probably not true in my opinion.

Clay Sublett. I agree with Brian directionally. I don't think the market is necessarily overheated, but it is dangerously close to getting there. The rebound in the overall economy and the return of the banking sector as well as other lenders explain the heightened competition and the erosion in loan structure in some cases. The broader level of competition is a good thing as opposed to when one dominant execution prevails. It's not healthy when one particular sector dominates, no matter if it's agency, bank, or CMBS. Today, everybody is picking their spots and deciding where they want to lean in. Interestingly, there is an overlap in terms of traditional lenders, and it's largely driven by interest rates. Traditional floating-rate lenders are choosing to lend fixed rate in some cases because they think it is a better risk or a better bet. Some traditional fixed-rate lenders are choosing to go with floating rate.

Larry Brown. It's interesting when you look at institutional behavior across lender types... a lot of lessons have been learned. One reason commercial banks are crossing over from floating to fixed rate is because they're making fewer construction loans, fewer land development loans. They are pursuing the safer products.

Clay Sublett. Certainly, one of the challenges of the banking sector is that there are somewhere between 6,500 and 7,000 banks.

Spencer Kagan. There has been a lot of capital raised for lending. In reference to the 40 or so CMBS lenders out there, I think we're at the leading edge of the big maturity wave and I think much of the dollars raised are in anticipation of that big wave. I don't think we're quite at equilibrium at this stage. It could come later this year or into next year possibly, but I don't think we're there yet. There should be an opportunity for improvement on the credit side as lenders obtain the ability to choose from an increasingly larger pool of potential loans.

Larry Brown. I agree with the crew; there is a sound balance right now. The bad news in terms of the competitive environment is that supposedly there were 30, as-in, three zero, different CMBS lenders as of mid-March. The good news is that there are a record number of 7- and 10-year loans coming due in 2015 through 2017.

Clay Sublett. Spencer, let me ask you a question on CMBS. As a portfolio lender, I can survive on my portfolio, same as Brian. If I choose to back away, I have a portfolio earning assets and certainly, I have maturities and things of that nature. So does a CMBS lender feel: 'I've got to make loans because I don't have a portfolio that's generating interest margin?'

Spencer Kagan. It's a good question. But, I think the goal is always the same for us; we want to strike a balance between finding collateral that we're comfortable with and being able to put money out in a competitive environment.

What's Your Lending Sweet Spot?

Stephanie Petosa. What do you consider your 'sweet spot' to be when operating in today's ultra-competitive lending environment? Is there a loan size you prefer, a particular borrower profile, or particular markets? Are you competing against all lender types or just those within your sector?

Spencer Kagan. We look at it from two different perspectives: lending for conduit execution and lending for single-borrower execution. For both, a critical factor is relationships and do they provide us with a little bit of an edge. We want to lend into situations in which we may have an existing relationship. Such relationships come through our different platforms: real estate investment banking or wealth management, for example. Such opportunities also might come via relationships with brokers with whom we've

done a substantial amount of business. In a conduit execution, we look first to leverage those relationships to win a deal and then look for some balance in terms of creating diversification via geographic locations and property type. For standalone CMBS, it's a little bit different because our execution isn't so much tied to pool diversification.

Larry Brown. Our average loan size is about \$12 million, which is probably smaller than many of the bigger shops. We don't have a volume target. As noted earlier, every good lender should be saying no to more loans than they are saying yes to. So we have sort of a Starwood-specific response versus a global industry answer. We are owned by LNR, a B-piece buyer and the largest special servicer. LNR sits on our credit committee. I like to joke that I know more about a loan at the application stage today than I used to at closing prior to having access to LNR's database of information. We try to compete on loans that make sense; loans that we don't think are going to default. LNR assumes they are going to own the B-piece on every loan I close; they're going to have the exposure for 10 years—so you can understand that there's an extra level of discipline at SMC than there might be at other houses who assume every loan closed will be entirely off their books in 45 days.

Brian Furlong. Our normal loan size is \$30 to \$70 million. Yet, we do much larger loans also, so one sweet spot for us is very large deals, many hundred million dollar deals. We have a low cost of funds. It's not that hard to compete

when you're triple-A rated. You can out price others if you care to. We have a mix of fixed- and floating-rate money, which is relatively unusual for insurance companies. And, sometimes, we can put a floating-rate component in a fixed-rate deal to allow for prepayment without yield maintenance.

Stephanie Petosa. Do you find yourselves competing with each other within each segment or are you going across segments?

Brian Furlong. We are competing in fixed-rate debt with a mix of insurance companies and CMBS lenders. While life companies win many of the best institutional loans, some first-rate assets do go to CMBS, particularly in the large-loan area. For example, the Houston Galleria just went CMBS and at very tight pricing. We compete with banks too on big deals, particularly floaters. We don't compete as often with CMBS lenders on floating-rate loans, because CMBS originators often combine a mezz loan with a mortgage loan to get to a leverage level higher than our targets.

"I think that the market is fairly well balanced in terms of lender supply and demand. Sure, there are a lot of lenders, but there is a lot of demand as well." Brian Furlong

“We’re winning our share of the loans we want to win but I think that any good lenders lose the majority of the loans they pursue.” *Larry Brown*

Clay Sublett. On the margin, we all compete with each other, but there is certainly more competition within each lender type. It's always surprising when you think you complement a lender and then all of a sudden they start competing with you. An example would be multifamily deals that we lost to the agencies. The agencies have become very competitive on value-add multifamily.

Spencer Kagan. Our lending program has a pretty wide spectrum. We compete with conduit lenders in the \$10 million space and compete with life companies on very large transactions. So there's no rule of thumb; but generally we tend to be fairly competitive in CMBS up to \$100 million in size and then between \$100 and \$300 million life companies become competitive. However, once a deal gets to be of a certain size, like Houston Galleria, CMBS lenders tend to come back in competitively on these high-quality assets. On the really large loans, it may be a club deal with an insurance company versus a CMBS execution. Borrowers for those very large deals tend to favor the CMBS execution.

Brian Furlong. I think life companies can do club deals on a single asset up to about \$1 to \$1.4 billion. There was kind of a 'tooth-and-nail' competition on 200 Park Avenue (the MetLife building). It went to CMBS ultimately, but the life company club bid it very aggressively and that was about a \$1.4 billion transaction. That's sort of the upper end of where the clubs cut off on the life-company side. Larger balances are possible for portfolios.

Stephanie Petosa. Tell our readers a little bit about your borrowers. Describe your typical borrower profile.

Clay Sublett. In the banking environment, we like deposits and we like relationships. We do very little broker and intermediary business. That is not to say we don't do any, but it's very rare. We're not chasing transactions; our first discussion is about the borrower and does the borrower fit our target? Our typical borrower is a long-term holder; this doesn't mean they hold everything, but that they have a philosophy of holding and thus are not just merchant builders. We view ourselves — especially on the balance-sheet side — as short-term lenders. We don't want to be a permanent lender. We would rather complement a CMBS, agency, or life-company execution. We want borrowers who understand we are going to provide them balance sheet as a means to secure a permanent execution. It is important we understand their business platform; are they ground-up construction, acquisition rehab, and/or opportunistic buyers.

Larry Brown. When so many lenders are seeing these packages, the resulting deals can be pretty negative for bond investors. One of the things I enjoy about having a smaller-borrower profile is that these borrowers tend not to be as demanding and a lender can therefore structure a sounder deal. As a lender, the old adage 'Be careful what you wish for' often applies when dealing with some of the larger institutional borrowers.

Spencer Kagan. I have a different perspective than Larry on that point. We often see these large transactions from brokers. Yet, when we win these deals it's often because we have some other established relationship with the borrower beyond the brokerage business. These borrowers may be a real estate investment banking client, we may be providing them with some advisory service...so we're more than just a commodity to them. And, although those deals tend to price tighter than conduit loans, they allow us to put out substantial dollars and create loans with added structure. In the conduit space, we oftentimes deal with repeat borrowers, although we may see those coming through brokers. The one big difference between what we're seeing today versus the previous cycle is more brokered business, but ultimately existing borrower relationships can carry the day.

Lisa Pendergast. What percent of your origination volume comes from pre-existing relationships with borrowers?

Clay Sublett. From a 'dollars-out-the-door' perspective, it tends to be the majority of what we do.

Larry Brown. For Starwood, in the past four years we've done over 400 loans for \$5+ billion. The lion's share is with repeat clients from both the brokerage community as well as the direct-borrower community.

Brian Furlong. What we're looking for in a borrower depends on the total loan that's involved, the all-in leverage, the loan term, etc. If it's a long-term loan, we might be more sensitive about certain things, such as whether it is an active loan or passive loan in terms of things that need to be done. We're very sensitive about construction lending given the heavy losses incurred cycle after cycle compared to other types of lending. We try to lean in to the very best sponsors. Same with bridge lending. The one thing that's different for us compared to commercial banks is that we have less focus on relationship considerations external to the real estate

loans themselves. A commercial bank tends to consider the overall business relationship. Alternatively, an insurance company considers a loan on a stand-alone basis. It's more of a pure play in terms of focus because we don't offer banking services to begin with.

Clay Sublett. Having been on both sides of the bank, the balance-sheet side tends to focus more on the relationship, while the firm side focuses on the fact that the loan is generally non-recourse and thus the transaction must stand on its own. In short, in the banking world, you will do a marginal deal for a good relationship. On the firm side, you're not going to do a marginal deal regardless of the strength of the relationship.

Challenging Borrower Asks

Lisa Pendergast. The revival of the CMBS market has seen a renewed focus by investors on borrowers and their behavior during the financial crisis. Yet, despite that focus, borrowers have become more emboldened – in what has become a 'borrowers' market – to ask for 'more.' What are some of the more challenging borrower 'asks' and how do you blend meeting those 'asks' with holding the line on credit?

Spencer Kagan. First of all, a lot of the borrower asks we see have more to do with pricing than credit quality. Given the choice between profitability and credit, we would rather price something a little bit tighter and hold on credit rather than give on credit. With that said, asks for interest-only periods started off as an exception, but now a short interest-only period is almost expected by every borrower. Most recently, you're seeing significant push back on the part of B-piece buyers with respect to the long interest-only periods, which is positive from a credit standpoint.

Lisa Pendergast. What about loan structure?

Spencer Kagan. With CMBS, there's certainly pressure with reserves and escrows so we try to find a balance. We'll sometimes get a little bit less than what we think is actually needed for tenant improvements and leasing commissions, but only if we think the borrower's going to stay with the property, there's enough equity in the deal, and the borrower has deep enough pockets. The reality is we're probably collecting around two-thirds of what might really be needed, but we believe there's incentive for the borrower to stay with the property. Those requests come up frequently.

Stephanie Petosa. Any particular carve-out push backs?

Spencer Kagan. Yes. The one we have the hardest time with is bankruptcy, voluntary bankruptcy.

Larry Brown. It feels like many CMBS lenders are currently treating the interest-only period as the ante to get into the game. We try to structure around that. We might actually, heaven forbid, suggest lower amortization or something to augment that IO feature. As Spencer said, we do receive some funky 'asks' every now and then around reserves and things like that, but, again, we find creative ways to underwrite that generally.

"I've often said, it's very difficult to guard against the stupid lender when you look at it from a 30,000-foot level. Banks are probably doing a reasonable amount of volume... but if you're getting everything you're quoting, you're clearly too aggressive." Clay Sublett

Clay Sublett. Pricing is always a pressure point. That's just a given regardless of who you are. It's difficult to hold the line when you're hearing, 'I'm getting

quotes that are 70% to 75% leverage on a non-stabilized asset, on a non-recourse basis.' I would say the biggest issue right now is pushback on recourse.

Brian Furlong. For us it is some of the same concerns already mentioned and the long back-end open periods. We're seeing more of it and I think some of it was mispriced by CMBS investors.

CMBS Borrowers: Can't Get No Satisfaction?

Stephanie Petosa. Borrower-satisfaction issues were emphasized during the first CMBS go around. Borrowers found CMBS structures inflexible and voiced concerns over their ability to approach servicers during the crisis. What are you hearing today from borrowers as far as their appetite for CMBS as a funding source. Is there borrower trepidation about getting into a CMBS loan today?

Spencer Kagan. CMBS can provide the best pricing for a borrower, but oftentimes comes with less servicing flexibility. Borrowers need to determine what's most important to them. The lack of flexibility

in terms of documentation is one area that causes borrowers, especially smaller borrowers, concern. Larger CMBS borrowers tend to enjoy more tailored documentation, particularly as it relates to release provisions in large portfolio loans.

Clay Sublett. I think borrowers are still very much concerned about the servicing aspect. We have borrowers — bank clients — that say CMBS is their execution of last resort. Small- and medium-sized borrowers in particular continue to struggle with things like SNDAs, collateral releases, or collateral lease approvals of major tenants. Knowledgeable borrowers tell us they'll consider CMBS if the loan is secured by a totally stabilized property. I've got a good bank client today working to develop a multifamily property. He wants to carve off a portion of the existing collateral and the special servicer is saying, fine, but for me to consider this you need to send me X amount of money. That really sits poorly with an awful lot of borrowers.

Larry Brown. Look, CMBS is a trillion dollar industry, so while any system could always be improved, I often advise borrowers of both the positives and negatives of CMBS. You often get the most proceeds for the best rate, but there are potentially more hoops to jump through in the servicing of your loan.

Brian Furlong. I think the difference between winning and losing a loan is about 5 to 20 basis points. If a life company is quoting the same price or is a basis point tighter than a CMBS lender, it is going to win 99% of the time. Five or 10 basis points is about where things begin to really matter.

Does Size Matter? Large Loan Single-Asset/Borrower CMBS or Conduit Pari-Passu Notes?

Lisa Pendergast. Why are we seeing such a large preponderance of single-borrower deals in the market today?

Spencer Kagan. I think we have tension right now between how large a conduit deal can get in terms of total size. This becomes difficult, particularly when you're trading triple-A bonds. Before the financial crisis, it was not unusual to have \$4 billion or \$5 billion, even up to \$7 billion pools. Large loans that would previously go into a conduit execution can't in today's environment, so larger loans are currently being securitized as stand-alone transactions. But we haven't seen enough demand, particularly at the triple-A levels, to accommodate what we would like to do for large loans in conduit executions.

Stephanie Petosa. When would you do a large loan as a standalone vs. splitting a large loan into pari-passu notes and placing it in several conduit CMBS?

Spencer Kagan. It's a matter of managing spread risk and deal size. There are many different things that we consider when determining how to execute. Pari-passu notes create more granularities in pools, but the elongated timing slows down the execution velocity and thereby exposes the issuer to spread risk. The other thing I would say is that a number of standalone deals to date have been floating rate. The floating-rate market is not as strong as we all thought it might be a year ago; so some of those deals are more likely to be executed as standalone.

Brian Furlong. As Spencer pointed out, I think there's more depth in the fixed-rate, very large single-asset/single-borrower space. The floating-rate space is a bit more challenging given that it used to be supported by European banks and SIVs that no longer exist. The result is that the market is seeing less of that sort of debt and, when it does come to market, it usually is a little bit off the run.

Clay Sublett. The banks are a bit different because we lend on less-stabilized properties. So we look to the relationship and the profile of the borrower. By profile we mean are they holders of real estate or just transactional? We're not as interested in a transaction borrower because we think there is higher risk.

We want to have a relationship and lend money to people who are long-term holders of real estate with a cash-flowing portfolio. We are playing in a mid-tier market in terms of borrower and asset size and in terms of financial strength. We generally target borrowers with \$50 million to \$500 million of real-estate assets and less than 20% of their portfolios in new construction or under development.

The Wall of Maturities: Opportunity or Risk?

Lisa Pendergast. Do you view the 'Wall of Maturities' as an opportunity or a risk?

Brian Furlong. On the one hand, the refinance risk has been scaled down from where it was just a few years ago. This is due largely to the current environment in which values on almost all commercial real estate have risen sharply as cap rates remain low and capital availability high. On the other hand, I think we don't really know how bad it may get. The 2006-2007 underwriting was really very bad and so it hasn't been tested. I think the jury is still out to some degree but it seems a little less scary than it did a few years ago.

“Hopefully, the increased demand for capital allows lenders to become increasingly more selective about the product they're willing to lend on.”
Spencer Kagan

“I subscribe to the theory that the larger deals have the better sponsors. BUT, to be very candid, these types of loans are usually shopped to every lender on the Street, so we often put these loan packages in the shredder, because the “winner” has actually “lost” in terms of what he has to stoop to from a credit standpoint to win that deal .” *Larry Brown*

Clay Sublett. I see it generally as an opportunity. However, the opportunities won't come without significant expenditures of time and energy as sponsors attempt to refinance loans with significant issues. Many of those deals are highly leveraged and oftentimes in tertiary markets. Some will be recapitalized, others will be acquired, and some may have a component of debt forgiveness. For many lenders the risk is that significant energy is spent on something that may never come to fruition.

Larry Brown. The opportunity is that lenders can be more selective as to what they lend on as maturity volume increases. This is an improvement from the 'there aren't enough loans out there, and I've got to do something aggressive to put some numbers up.' The risk, however, is that with so many lenders right now, is there a lender for any and every loan? You sure hope not. The hope is that there's discipline in the market and that not all loans are going to make it. A lot of the 'good stuff' has already been refinanced. It's possible the tail end of this wall may not be the prettiest.

Spencer Kagan. I would agree with that. I think a lot of people are looking at this three-year window, but the reality is that some of those loans, especially when you start getting in 2017, may need to be extended. To date, that's worked for a lot of loans — servicers extended the loan out and it eventually got paid off. To the positive, a lot of dollars have been raised to recap transactions that need gap financing because the senior might be too high leverage for today's standard. Overall, I see the wall as more of an opportunity than a risk, just be mindful of the fact that some loans are more than likely to get extended out.

Lisa Pendergast. **Is there a risk in extending these loans? No one who would argue back in 2009, 2010, 2011 and 2012 that loan extensions represented the best course of action in many cases. During that period, the markets recovered nicely as benchmark rates and cap rates declined and commercial real estate became a real focus for value-minded investors. Going forward, there's less likelihood of substantial continued value improvement, with an increase in cap rates likely to offset the anticipated uptick in topline growth. It seems to me that there is more risk in extension today than there was three or four years ago.**

Spencer Kagan. Certainly there's a portion of the loans that should take losses, but we still think that we're in an economic environment in which there is opportunity for substantial increases in top-line growth. So give some of these properties more time to improve

their financial performance and they could build their way into senior loans that make sense. At a minimum, extensions may bring these loans back into a situation where there could be a recap with gap financing that's so common.

Brian Furlong. So who benefits from kicking the can down the road? I think that that's a very pertinent question. I was walking through Stuy Town this weekend and they've done beautiful things with it. I was thinking to myself what a food fight it would be if they put it on the market today in this environment. But, somewhere the cash register rings and the decision is made to kick that can down the road. When the wall of maturities hits, who's going to benefit from kicking the can down the road and who will suffer?

Clay Sublett. You have someone still controlling the asset that realizes they're not going to get any money out and so they have essentially given up hope. Extending it just runs the risk of deterioration in your income trade.

How Concerned Should We Be About Refinance Risk on Today's Loans?

Lisa Pendergast. **The lack of amortization in today's deals and the very real likelihood that mortgage rates are higher ten years from now than they are today raise concerns about refinance risk in CMBS 2.0/3.0 loans. What are your thoughts as lenders? How do you protect?**

Larry Brown. I echo your concern. I think investors should be very wary of full-term IO and I believe significant focus should be placed on LTV and LTC at maturity. In CMBS 1.0, the market drank itself into believing that values would bail these loans out. And some even point to the 2005 through 2007 vintages and suggest that they actually did. But that happened only because interest rates got so low just in time for this refinance wave. I would tell you that there is every reason to be concerned about refinance risk 10 years from now based on where rates are and the amount of IO getting done. I think that those lenders doing full-term IO at high going-in LTVs should be penalized when it comes time to selling those loans via the capital markets.

Stephanie Petosa. **Given the uncertainty related to the direction of interest rates and the general concern regarding the impact of a macro event, do all of you perform refinance tests on newly originated loans?**

Larry Brown. Absolutely.

“On the banking side, loans have full or at least partial recourse with some burn down; but that’s been one of the big pressure points of late – borrowers asking for and getting higher leverage than has historically been the case and getting it non-recourse.” *Clay Sublett*

Brian Furlong. Yes. I think we've got to. Almost every sensibly originated loan should perform well in a low interest-rate environment during the term. But there are certain interest-rate traps there. Looking at it from a debt-yield versus a debt-service-coverage-ratio perspective, I'm somewhat concerned about the real low debt yield loans that are often associated with the most sought

“Life companies compete with CMBS in the fixed-rate space and particularly the large fixed-rate space all the time. CMBS is a very potent competitor.” *Brian Furlong*

after properties, like multifamily for which the agencies allow for very low debt yields and properties in places like Manhattan that may be beautiful assets but never-

theless have low debt yields. Whether or not the trophy Manhattan asset or the decent-quality multifamily asset will save you is unclear...the jury is out on that because when interest rates rise these loans may get caught by an interest-rate trap that doesn't relate to the quality of the property. For example, loans exist that have long leases in place that aren't going to inflation-adjust when rates change and the inflation environment changes. We're ground lenders and we see 30-40% LTV loans that could go bad at the balloon date unless the ground rent first adjusts up to the point where it provides for the debt yield needed to refinance the loan at its balloon date. If such a loan defaults due to an interest rate rise, that default will have happened for reasons totally independent of the occupancy of the property, the quality of the rent roll, or other traditional credit factors.

Larry Brown. And the statistics from LNR and others bear out what Brian just said. Would you ever have guessed that multifamily loans have among the highest default rate during the two-plus decades of CMBS? Would you ever have guessed that hotels are among the sectors with the lowest default rate? And, within hotels, would you have guessed that it's non-flagged hotels with the lowest default rate when compared to flagged? Why? Here's why: Everyone gets more aggressive because they need to originate multifamily loans and so are more willing to underwrite more aggressively. They're dealing with crazy cap rates and things like that. In contrast, the approach with hotels is 'I have to be conservative.'

And so what happens to those loans 20 years later is that hotels are actually performing relatively better than multifamily. It's fascinating, but not surprising with hindsight.

Spencer Kagan. From our perspective, we certainly aren't going in with a lot of the heavy IO loans that are out there. Yet, in very supply-constrained markets and in any type of inflationary environment, I do think it's likely those assets will benefit from topline growth. Oftentimes deals with amortization today are located in tertiary markets or have significant term risk, like concentrated roll during the term of the loan, so you may not actually get the benefit of all the amortization. All else equal, we would much rather have loans with amortization than without. Yet, we do provide some allowance for IO loans, particularly in very tight markets where there is more opportunity to push rents than is the case in tertiary markets.

Clay Sublett. From the portfolio side, we're certainly looking at the staying power of the sponsor. Most of what we do is floating rate, so we are much more sensitive to the fact that if we see a near-term rate increase, it will hit us during the loan term and not just at maturity. So we're always doing sensitivity analyses. We always approach refinance risk with some cushion in it. That said, we ultimately look at the staying power of the sponsor and the benefits of recourse. A totally non-recourse loan means I scale back the leverage to reduce refinance risk and the loan's sensitivity to interest-rate movements.

Lisa Pendergast. **A quick last word...While it is impossible to foresee where rates will be 10 years from now, the changes we've seen from the rating agencies should help investors with not only refinance risk but also term defaults. It's a positive industry development that CMBS credit enhancement is almost double what it was pre-crisis. Investors are far better protected today than they were pre-crisis, and the additional protection helps to address 'uncontrollable' factors such as the competition induced increase in IO or a market induced back up in interest rates and thus heightened refinance risks.**

Stephanie Petosa. Thanks to all of our panelists for their participation and candor. ■