



News

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CRE Finance Council Releases 10 Proposed Changes to Improve Borrower Experience

NEW YORK—February 2, 2018—The CRE Finance Council (CREFC) Issuer-Servicer joint task force (the “Task Force”) released 10 recommended changes to refine and improve the CMBS borrower experience from loan origination through servicing. Focused primarily on standard loan documents, the Pooling and Servicing Agreement (PSA) and borrower input, the Task Force focused its efforts on increasing clarity, expediting borrower requests, reducing friction, and enhancing the borrower experience.

“Ultimately, our objective was to enhance the borrower experience without jeopardizing investors’ credit protections,” said Jan Sternin, Servicers Forum chair and managing director at Berkadia Commercial Mortgage. “We believe after thorough review of standard industry documents, our proposed changes are a step forward toward accomplishing that goal.”

The Task Force found inconsistent language in standard loan agreements and contracts resulting in inefficient communication between parties. In addition, the Task Force identified overly complex tests and varied definitions across documents. The 10 proposed changes are the first steps to improving the borrower experience.

CREFC is dedicated to improving the borrower experience and will continue working with the Task Force, borrowers, and all its members to support this ongoing objective. You can find a detailed analysis of the 10 proposed changes online [here](#) and below for a high-level summary.

Issuer-Servicer Task Force Proposals

1. Waive recurring testing (i.e., cash-management triggers, commencement of escrows) for the first six months after loan closing
2. Improve covenant test parameters
3. Clarify the definition of ‘Major Tenants’



4. Require an annual Officer Certificate if a net-worth threshold is required of a guarantor
5. Utilize CREFC standardized financial statement calculations consistent with those in the Investor Reporting Package where appropriate for covenant tests
6. Borrowers not complying with 'Know Your Customer' (KYC) requirements for opening/maintaining bank accounts shall be placed in default after 30 days and such default will be a Default Interest trigger
7. For a reserve release, detailed backup should be eliminated for draw requests less than \$10,000 and replaced with an Officer's Certification
8. For capitalized draw requests > \$10,000, process and release the entire requested amount if 80% or more of the line items qualify as capitalized items
9. Recommended "Servicer Action Triggers" be prepared for each loan
10. Developing standardized definitions for certain key terms incorporated into loan documents where appropriate

About CRE Finance Council

The CRE Finance Council (CREFC) is the trade association for lenders, investors and servicers engaged in the \$3.9 trillion commercial real estate finance industry. More than 300 companies and 9,000 individuals are members of CREFC. Member firms include life company and bank balance-sheet lenders, securitized lenders, alternative, high-yield lenders, loan and bond investors, private equity firms, servicers and rating agencies, among others. CREFC promotes capital formation, encouraging commercial real estate finance market efficiency, transparency and liquidity. CREFC also acts as a legislative and regulatory advocate for the industry, plays a vital role in setting market standards and provides education for market participants in this key sector of the global economy. CREFC affiliates operate in Canada, Europe and Japan. For more information, please visit our [website](#).