

SECURITIZATION PROGRAMS

Conduit Scorecard: Fewer Shops, Less Activity

Conduit shops are coming to grips with a shrinking universe of lending opportunities.

Their operations are being hamstrung not only by new regulations that have forced tighter lending standards, but also by the timing of the rules — at the point of the real estate cycle when many borrowers need looser loan terms.

The upshot: Conduit operators are resigned to being part of a smaller industry for the foreseeable future.

“The first half is supposed to be the busy season,” said one veteran lender at a nonbank securitization program. “But we’re already halfway through the first quarter, and we can see it’s definitely not what we used to think of as busy. But it’s also not terrible. It’s what I could call ‘meh.’”

One issue is the “wall of maturities,” which refers to the avalanche of 10-year securitized loans that were originated at the peak of the last cycle, in 2006 and 2007. The last batch of those mortgages comes due this year, and conduit lenders had assumed that many of the borrowers would provide a steady supply of lending opportunities by turning to the commercial MBS market for refinancing.

But the results have been disappointing. According to a report last month by **Bank of America** analyst **Alan Todd**, only 55% of the maturing CMBS loans have a debt yield of at least 9% — the minimum level seen in most recently originated CMBS loans.

That means that roughly 45%, or \$43 billion, of the \$96 billion of CMBS loans that mature this year will be ineligible for securitization, sharply reducing potential refinancing business. And the total balance of maturing CMBS loans will plunge to \$21 billion next year.

What’s more, even this year’s opportunities will start to slow down soon. That’s because two-thirds of the aggregate balance of maturities hits in the first half, according to analyst **Roger Lehman** of **Credit Suisse**. So refinancings will peak in the next



few months, given the lead time necessary to arrange loans.

“We expected a lot more activity in the first quarter based on the wall of maturities,” said one CMBS group head at a Wall Street bank. “And yes, that’s front-loaded, so it doesn’t bode

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well for the remainder of the year.”

The lighter-than-expected loan demand could disproportionately affect smaller shops. The reason: The big operators that arrange transactions are in the driver’s seat under the new risk-retention rules.

“I think borrowers and brokers are steering deals to those lenders who are in control of their own destiny when it comes to risk retention,” said **Doug Mazer**, head of real estate capital markets at **Wells Fargo**. “And we see very little competition from lenders who don’t have their own risk-retention solution.”

Indeed, the new regulations, which require lenders to keep “skin in the game” by retaining exposure to their loans, have already caused a shakeout of small programs. Last year, 36 shops contributed loans to conduit transactions. Seven of them have exited the sector: **BNY Mellon, Freedom Commercial Real Estate, KGS-Alpha Real Estate, Liberty Island, MC-Five Mile, Redwood Commercial Mortgage** and **Walker & Dunlop**.

To be sure, those operations accounted for only a small portion of securitized conduit loans — 5.4% of the total in 2015 and only 1.8% last year. But many were squeezed out because bigger operations are able to cope better with the new rules, and the shakeout may continue.

Commercial Mortgage Alert’s annual review of securitization programs has identified 29 active conduits (see list of lenders and origination goals on Pages 22-38). The review, which doesn’t include “table-funding” lenders that sell mortgages to securitization programs, found that the firms expect to write \$99 billion of mortgages in aggregate, up from \$72 billion last year, according to figures provided by the companies and, in

two cases, estimates by Commercial Mortgage Alert.

Those figures should be read with caution. Firms were asked to provide projections only for CMBS loans, but some probably included portfolio or mezzanine loans. Also, some shops no doubt cited upper-end estimates that will be hard to achieve. The inflation factor can be seen in last year’s review, when the shops’ \$138 billion projection of originations far exceeded the \$66.4 billion they actually ended up securitizing. Still, this year’s \$99 billion projection reflects the lowered expectations from a year ago.

Conduits are clearly facing headwinds. “There is an army of private capital out there that has sprung up to pick off these maturing CMBS loans,” said one lender who’s in the process of launching a bridge-lending business on the West Coast. “The CMBS guys have a lot of new competition. And they’re also getting competition from the small, regional banks, who’ve started to do seven- and 10-year fixed-rate loans.”

In one positive development, the bond market has kicked off the year with a rally, driving down the cost of capital for conduit operators. If the new price levels hold, lenders could improve their competitiveness by passing on the savings to borrowers in the form of lower loan spreads.

While the outlook for originations isn’t particularly bullish, lenders said that could change if property acquisitions pick up or the economy gains strength. “The one thing you can count on in this business is that it’s unpredictable,” said one market veteran.

For that reason, there don’t appear to be any immediate plans to cut staff. “That might be something that happens later in the year, but a lot could happen between now and then,” said the CMBS group head. ❖

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Origination Targets for Securitization Programs

Loans originated for securitization. Origination figures were supplied by the lenders and weren't independently verified. Commercial Mortgage Alert estimated originations for Credit Suisse and RAIT Financial.

	Projected 2017 Originations (\$Mil.)	Reported 2016 Originations (\$Mil.)	Actual 2016 Securitized (\$Mil.)
Bancorp Bank	\$1,000	\$600	\$366
Bank of America	6,000	3,240	3,240
Barclays	5,500	3,250	3,021
Basis Investment	500	478	156
Benefit Street Partners	2,000	1,350	1,241
C-III Commercial Mortgage	750	700	368
CCRE	5,000	3,151	3,151
CIBC	1,000	400	274
Citigroup	6,000	6,000	5,599
Credit Suisse	1,500	1,500	1,530
Deutsche Bank	10,000	10,800	7,899
Goldman Sachs	10,000	7,500	6,789
J.P. Morgan	12,500	9,500	9,078
Jefferies LoanCore	1,800	1,200	1,110
KeyBank	1,250	755	758
Ladder Capital	2,500	1,200	1,350
LStar Capital	1,200	653	506
Morgan Stanley	7,000	4,500	4,030
Natixis	3,000	2,000	1,896
NCB	400	445	445
Principal Commercial	1,200	409	479
RAIT Financial	300	300	279
ReadyCap Commercial	600	400	162
Rialto Capital	2,000	1,802	1,932
Silverpeak Argentic	1,500	450	771
Societe Generale	2,500	1,102	1,102
Starwood Mortgage	1,800	1,800	1,823
UBS	3,500	2,432	2,432
Wells Fargo	7,000	4,000	3,626
OTHERS			987
TOTAL	99,300	71,917	66,399

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The following is a list of conduit shops that aggregate loans for securitization. In many cases, some or all of the originators aren't listed.

Bancorp Bank

Contact: Ron Wechsler, 646-495-7470

2016 originations: \$600 million

2017 originations (projected): \$1 billion

2017 offerings (projected): 4

Originators:

California/Florida/National: John McGlynn, 646-495-7480

California/Seattle/West: Gary Wong, 510-529-4045

New York: Tim Hallock, 646-495-7472

New York/Boston/East: David Kra, 646-495-7488

New York/Chicago/Ohio: Jon Kohan, 646-495-7479

Texas/Midwest/Southeast: John Barker, 646-495-7505

Bank of America

Contact: Jason Ourman, 646-855-3562

2016 originations: \$3.24 billion

2017 originations (projected): \$6 billion

2017 offerings (projected): 14

Barclays

Contact: Larry Kravetz, 212-526-5838

2016 originations: \$3.25 billion

2017 originations (projected): \$5.5 billion

2017 offerings (projected): 15

Originators:

National large/conduit loans: Eric Wu, 212-526-4890

National conduit loans: Frank Gilhool, 212-526-6970

National large loans: Steven Caldwell, 212-526-6706

East Coast/Texas: Christopher Burke, 212-526-2359

East Coast: Nate Morris, 212-526-1545

Southeast: Marcus Perry, 212-526-1918

Midwest: Alison Coen, 212-526-4932

West Coast: Eliav Dan, 310-481-2631

West Coast: Josh Greene, 310-481-2627

Basis Investment

Contacts:

Tammy Jones, 212-842-5713

Kunle Shoyombo, 212-842-5713

2016 originations: \$478 million

2017 originations (projected): \$500 million

2017 offerings (projected): 5

Originators:

National: Kunle Shoyombo, 212-842-5713

National: Mark Bhasin, 212-915-0696

National: Brendan O'Brien, 212-915-0698

National: Shaunak Tanna, 212-915-0699

National: Victor Amoo, 212-915-0691

Benefit Street Partners

Contact: Michael Comparato, 561-558-7621

2016 originations: \$1.35 billion

2017 originations (projected): \$2 billion

2017 offerings (projected): 8

Originators:

National: Michael Comparato, 561-558-7621

National: Walker Brown, 212-588-6980

National: Aaron Casden, 212-588-9242

National: Aaron Derby, 212-588-6985

National: Brian Nowakowski, 212-588-9283

National: Samuel Rosen, 212-588-3695

National: David Elgart, 212-588-9241

National: Bradley Gladsden, 954-383-8068

National: Barclay Lynch, 917-475-2139

National: Peter Touhill, 212-588-6984

National: Ross Cohen, 212-588-9399

C-III Commercial Mortgage

Contact: Paul Hughson, 212-705-5046

2016 originations: \$700 million

2017 originations (projected): \$750 million

2017 offerings (projected): 6

Originators:

National: Michael Pierro, 212-705-5096

National: Rob Bernstein, 212-705-5149

National: Gary Newman, 212-705-5089

National: Amy Sackin, 212-705-5080

National: Ian Schwartz, 212-705-5070

National: Ellison Quijano, 212-705-5079

CCRE

Contact: Michael May, 212-610-2319

2016 originations: \$3.15 billion

2017 originations (projected): \$5 billion

2017 offerings (projected): 8

Originators:

National: Michael Brown, 212-610-2357

National: Brett Katz, 424-653-5334

National: Jonathan Schurgin, 310-788-5808

CIBC

Contact: Michael Higgins, 212-667-5601

2016 originations: \$400 million

2017 originations (projected): \$1 billion

2017 offerings (projected): 4

Originators:

East Coast: Jim Baranello, 212-667-5603

West Coast: Barry Schumacher, 949-885-8724

Midwest: Andy Leonard, 212-667-5599

Midwest: Greg Newman, 212-667-7035

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Citigroup

Contacts:

Paul Vanderslice, 212-723-1295
Joe Dyckman, 212-816-6457

2016 originations: \$6 billion

2017 originations (projected): \$6 billion

2017 offerings (projected): 20

Originators:

New York: Eric Mirvis, 212-816-0808
New York: Peter Gruber, 212-816-4624
New York: Michael Corridan, 212-816-0135
Charlotte/Southeast: Michael Cohen, 704-552-3712
Los Angeles/West Coast: Chris Vittetoe, 213-239-1970
Los Angeles/West Coast: Smith Daley, 213-239-1912
Texas/Southwest: Darrell Graf, 972-202-9990
Chicago/Midwest: Chris Pilat, 212-816-7529
Michigan/Midwest: James Goldberg, 212-816-7335

Credit Suisse

Contact: Stefanos Arethas, 212-325-0736

2016 originations: \$1.5 billion (CMA estimate)

2017 originations: \$1.5 billion (CMA estimate)

Deutsche Bank

Contact: Ed Adler, 212-250-4542

2016 originations: \$10.8 billion

2017 originations (projected): \$10 billion

2017 offerings (projected): 18

Originators:

U.S. large loans: Stephen Choe, 212-250-6911
U.S. conduit loans: Kevin Pivnick, 212-250-3437
U.S. special situations: Dino Paparelli, 212-250-5013
U.S. loan syndication: Jim Rolison, 212-250-3352
U.S. loan syndication: Darrell Gustafson, 212-250-3282
New York: Marc Waldman, 212-250-3315
New York: Joseph Vassallo, 212-250-2982
New York large loans: David Goodman, 212-250-0136
Atlanta: Bill Lafferty, 404-920-7120
Dallas: Tom Burns, 214-740-7723
Los Angeles: Mark Fluent, 310-788-6174
San Francisco: Collin "CJ" Karthaus, 415-617-3211

Goldman Sachs

Contact: Ted Borter, 212-902-3857

2016 originations: \$7.5 billion

2017 originations (projected): \$10 billion

2017 offerings (projected): 15

Originators:

Americas, head: Ted Borter, 212-902-3857
Eastern region, co-head: Rene Theriault, 212-902-2172
Eastern region, co-head: Miriam Wheeler, 212-902-2056
Central/South region, co-head: Nick Losada, 972-501-3953
Central/South region, co-head: Will Waters, 972-501-3974
Western region, co-head: James Abbee, 972-501-3922
Western region, co-head: Brad Wilmot, 310-407-5811

J.P. Morgan

Contact: Joseph Geoghan, 212-272-6858

2016 originations: \$9.5 billion

2017 originations (projected): \$12.5 billion

2017 offerings (projected): 25

Jefferies LoanCore

Contact: Dan Bennett, 203-861-6037

2016 originations: \$1.2 billion

2017 originations (projected): \$1.8 billion

2017 offerings (projected): 3

Originators:

Greenwich, Conn.: Brett Kaplan, 203-861-6015
Greenwich, Conn.: Richard Small, 203-861-6005
Greenwich, Conn.: Dana Arrighi, 203-861-6014
Greenwich, Conn.: Chad Jones, 203-861-6021
Greenwich, Conn.: Jeff Santoro, 203-861-6016
Atlanta: Tom Aschmeyer, 404-877-3210
Atlanta: Bryan Collins, 404-877-3211
Chicago: Paul Stepan, 312-750-4412
Chicago: Steve Kay, 312-750-4442
Chicago: Jason Mergen, 312-750-4440
Irvine, Calif.: David Froschauer, 949-681-2841
Los Angeles: Chapin Hunt, 310-281-4420
Los Angeles: Steve Graines, 310-281-4426
Los Angeles: Jay Um, 310-281-4424
San Francisco: Jean Baker, 415-284-8410

KeyBank

Contacts:

Dan Baker, 312-730-2705
Joe DeRoy, 913-317-4230

2016 originations: \$755 million

2017 originations (projected): \$1.25 billion

2017 offerings (projected): 5

Originators:

Commercial Production Leader: Matt Ruark, 913-317-4237
New York/Northeast: William Cassidy, 212-424-1818
Philadelphia/Mid-Atlantic: John Christen, 267-513-1851
Washington/Mid-Atlantic: Scott Bois, 202-452-4942
Atlanta/Southeast: Stephen Williams, 770-510-2115
Chicago/Great Lakes: Jacob Proctor, 312-730-2709
Dallas/Texas: Joe Schmidt, 214-414-2585
Orange County/Southwest: John Loshbaugh, 949-419-3803
Seattle/Northwest: Josh Berde, 425-709-4340
Chicago/Institutional: Randy Martin, 312-730-2741
Chicago/Institutional: John Hofmann, 312-730-2745

Ladder Capital

Contact: Michael Mazzei, 212-715-3196

2016 originations: \$1.2 billion

2017 originations (projected): \$2.5 billion

2017 offerings (projected): 6-8

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LStar Capital

Contact: Alex Chan, 212-849-9600
2016 originations: \$653 million
2017 originations (projected): \$1.2 billion
2017 offerings (projected): 2-3

Morgan Stanley

Contact: James Flaum, 212-761-4405
2016 originations: \$4.5 billion
2017 originations (projected): \$7 billion
2017 offerings (projected): 18
Originators:
 National: Nailah Flake-Brown, 212-761-3455
 National: George Kok, 212-761-0327
 West Coast: Gary Duff, 310-788-2253

Natixis

Contacts:
 Head of Real Estate Americas: Greg Murphy, 212-891-5752
 Head of CMBS securitization: Jerry Tang, 212-891-5752
2016 originations: \$2 billion
2017 originations (projected): \$3 billion
2017 offerings (projected): 8
Originators:
 National: Michael Magner, 212-891-5723
 National: Michael Girimonti, 212-891-5709
 National: Gavin Elwes, 212-891-5718
 National: Brian Clark, 212-891-5749
 National: Bruce Habig, 212-891-5728
 National: Vishal Vanjani, 310-432-7978

NCB

Contact: Munevver Yolas, 703-302-1917
2016 originations: \$445 million
2017 originations (projected): \$400 million
2017 offerings (projected): 5
Originators:
 New York: Edward Howe, 212-808-0880
 New York: Mindy Goldstein, 212-808-0880
 New York: Harley Seligman, 212-808-0880
 Southeast: Robert Bernstein, 703-302-1923
 Southeast: Larry Mathe, 703-302-1909
 Mid-Atlantic: Greg Daniszewski, 703-302-1927

Principal Commercial

Contact: Margie Custis, 515-247-7987
2016 originations: \$409 million
2017 originations (projected): \$1.2 billion
2017 offerings (projected): 4-6
Originators:
 West: Kevin Catlett, 515-283-9986
 Midwest/Texas: Phil Friedrich, 515-362-0495
 Northeast: Doug McKinstry, 515-283-5360
 Southeast: Kerry Studer, 515-235-5369

RAIT Financial

Contact: Greg Marks, 215-207-2040
2016 originations: \$300 million (CMA estimate)
2017 originations (projected): \$300 million (CMA estimate)
2017 offerings (projected): 1-2
Originators:
 Marco Lainez, 215-207-2044
 Paul Armour, 972-447-8335
 Steve Roberts, 917-912-8538
 Jake Bierly, 215-207-2042
 Steve Hamm, 215-207-2043
 Zack Montana, 972-447-8383

ReadyCap Commercial

Contact: Anuj Gupta, 212-257-4664
2016 originations: \$400 million
2017 originations (projected): \$600 million
2017 offerings (projected): 2
Originators:
 Southern California: Lisa Cappelletti, 949-491-8081
 Austin: Dan Gaylord, 805-501-4318
 New Jersey: Joel Covington, 443-783-4851
 New York/New Jersey: John Drennan, 917-545-5125
 Charlotte: Kevin Leonard, 704-399-2131
 Washington: Oliver Harris, 202-251-9372
 Atlanta: Russell Grigg, 404-992-3505
 Dallas: Jeff Bottoms, 469-644-2777
 Dallas: Michel Gilbert, 469-706-7072
 Dallas: Eli Smith, 469-706-7070
 Denver: Matt Pagan, 870-219-0588

Rialto Capital

Contact: John Herman, 212-415-4847
2016 originations: \$1.8 billion
2017 originations (projected): \$2 billion
2017 offerings (projected): 12
Originators:
 Brett Ersoff, 212-415-4848

Silverpeak Argentic

Contact: Doug Tiesi, 646-560-1755
2016 originations: \$450 million
2017 originations (projected): \$1.5 billion
2017 offerings (projected): 6

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Societe Generale

Contact: Wayne Potters, 212-278-6107
2016 originations: \$1.1 billion
2017 originations (projected): \$2.5 billion
2017 offerings (projected): 10
Originators:
 REITs: Stew Whitman, 212-278-6224
 Southeast: Joey Petras, 404-942-3701
 Northeast: Chris Kramer, 212-278-6171
 Northeast: Brett Gaffan, 212-278-7968
 West Coast: Gary Swon, 949-225-4416
 West Coast: Peter Lewicki, 310-566-8154

Starwood Mortgage

Contact: Larry Brown, 704-362-1979
2016 originations: \$1.8 billion
2017 originations (projected): \$1.8 billion
2017 offerings (projected): 12
Originators:
 Northeast: Jim Freel, 212-600-2837
 Northeast: Tim Szalay, 212-600-2836
 Southeast/Central: David Auerbach, 305-695-5519
 Southeast/Central: Steve DeRose, 305-695-5845
 Southeast/Central: Lance Johnson, 704-264-3509
 Southeast/Central: Keith Thompson, 704-973-9035
 Southwest: James Ruggiero, 646-884-6425
 Southwest: Mike Stone, 646-884-6430
 Western: Craig Pickett, 212-600-2839
 Western: Gerry Santos, 949-885-8262

UBS

Contact: Chris LaBianca, 212-713-4706
2016 originations: \$2.43 billion
2017 originations (projected): \$3.5 billion
2017 offerings (projected): 10
Originators:
 National: Chris LaBianca, 212-713-4706

Wells Fargo

Contact: Doug Mazer, 212-214-7574
2016 originations: \$4 billion
2017 originations (projected): \$7 billion
2017 offerings (projected): 20
Originators:
 New York: Joe Tufariello, 212-214-7588
 New York: Michael Sarkozi, 212-214-7614
 Northeast: Jeff Schor, 212-214-7581
 Northeast: Terry Livingston, 212-214-7604
 Northeast: Michael Petrizzi, 212-214-7592
 Mid-Atlantic: Jon Albertell, 212-214-7584
 Mid-Atlantic: DJ Book, 212-214-7571
 Southeast: John Tinkey, 704-715-9959
 Midwest: Andrew Laughlin, 704-383-6903
 Midwest: AJ Walker, 312-345-7665
 Texas/Colorado: Duane Hastings, 469-729-7523
 Texas: Edward Brady, 713-576-1025
 Texas: Billy Hurst, 469-729-7525
 Southwest: Eric Gunderson, 213-253-3065
 Southwest: Todd Barnett, 949-251-4380
 Southwest: Keith Williams, 213-253-3374
 Northwest: William Whalen, 415-396-7415
 Northwest: Eric Smith, 415-801-8553
 Northwest: Courtney Boscoe, 415-801-8555
 National: Wayne Brandt, 213-253-3727
 Large loans: Jon Martin, 704-715-0571
 Large loans: Rob Rosenberg, 212-214-7600
 Large loans: Rick Oberman, 212-214-7597
 Large loans: Kevin Cowan, 212-214-7589
 Large loans: Bob Cade, 212-214-7598

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