

NAVIGATING THE CURRENT CRE-LENDING ENVIRONMENT/MARKET

April 2026

MARKET TRENDS AND CHALLENGES

LOAN RESET RATE RISK IN THE CURRENT ELEVATED INTEREST RATE ENVIRONMET

- 1) Rate reset roll over risk and what are the implications for loan risk ratings as well as future payment performance on outstanding debt.
- 2) What future time-period (3,6, 9, & 12 months or longer) is most appropriate to monitor and manage on a continuous basis?
- 3) The role of early intervention with the client base.
- 4) Do current legal documents provide flexible remedies if DSCR covenants are breached?
- 5) Is it more appropriate to be initiative-taking or reactive?

OFFICE MARKET CHALLENGES AND POTENTIAL OPPORTUNITIES

- 1) What is your Bank's portfolio comprised of in terms of aggregate UPB's and loan units?
- 2) What percentage of the portfolio is Class A versus Class B & C? Why does this matter?
- 3) Are current-rent rolls provided in a timely manner and what are the lease rollover risks?

- 4) Are Relationship Managers and Portfolio Managers actively engaged with property owners on a continuous basis to gauge the financial condition with this asset class?
- 5) Are property owners actively engaged in considering alternative legal use on non-class A properties?
- 6) Are personal guarantees being enforced?
- 7) Is it safe to jump back into the water (re-lend again on new opportunities)?

RENT REGULATED MULTI-FAMILY

- 1) What is it and how did this asset class come under stress for lenders?
- 2) What percentage of your Bank's total CRE portfolio is comprised of this asset class?
- 3) How does one navigate the challenges of this asset class?
- 4) Early signs in the loan collection cycle that future loan performance may become challenging.
- 5) How important is Sponsorship in this asset class?
- 6) Is it safe to jump back into the water (re-lend again on new opportunities)?

- 7) Where do we go from here?

WHAT IS A “HOT” MARKET AND HOW TO NAVIGATE IT

- 1) How did a local market become so much in demand (Southeast of the USA)?
- 2) Does it have sustainability?
- 3) The dangers of riding the wave on volume lending opportunities
- 4) When to take the foot off the accelerator regarding future lending
- 5) The appraisal challenges with fast growing markets in terms of projecting vacancies/absorption levels and cap rates.

APPRAISAL METRICS AND RED FLAGS

- 1) Are all commercial Appraisers qualified to perform all assignments?
- 2) Selecting the proper Appraiser for the assignment.
- 3) What are the different methods in developing cap rates and why is this so important?
- 4) Computing vacancy levels and the various sources that should be employed.

- 5) What is the value reconciliation section of the report and why is it so important?
- 6) What is the concept of a property's "highest and Best Use" and its importance in the appraisal assignment.
- 7) What is an "extraordinary assumption" versus a "hypothetical condition" and its impact on the assignment?
- 8) Must a lending institution use an MAI Appraiser in an assignment?

LIENS

- 1) What is an abundance of caution lien and when and why to require it?
- 2) What type of lien is placed on a Cooperative Loan? Is it a Mortgage or UCC-1?
- 3) Who is generally responsible for filing a lien on a property in a lending transaction?
- 4) Should a lending institution actively reverify that a lien has been properly filed?

