CREFC Convention Recap and Making Way For Duck Boats

June 22, 2011 by Matthew Clark

Here in Boston, we've had a busy but productive week since the CREFC June Convention culminated –punctuated with more than a million hockey fans witnessing a parade of Duck Boats waddle through the Back Bay. The Convention itself saw a smaller (albeit similarly excitable) parade of lenders, borrowers, servicers and other industry participants descend on Manhattan for two days of networking, learning and discussion.

Indeed, the theme for the affair - *On the Road Again* - was apt and matched the overarching zeitgeist present in the lobby of the *Waldorf*. With perhaps $50b in insurance company lending and $40b in expected CMBS issuance expected by year's end, the industry is back to work in earnest. While eager issuers looked to a return of larger deals, cautious investors expressed some concern of perceived weakening in underwriting standards. Participants discussed the impact of this past spring's roll-out of CREFC's CMBS 2.0 market standards - a comprehensive initiative to provide consensus on Annex A, a standardized framework for loan underwriting principals, an expanded investor reporting package, a model set of CMBS representations and warranties and an efficient, workable model for dispute resolution when the reps go bad. (One particularly frequent topic of discussion was when (and if) issuers would widely adopt the form reps and warrants).

As could be expected, continuing regulatory developments commanded significant attention. Forefront on the minds of the industry, of course, are risk retention, rating agency reform, the status of covered bond legislation and what can be done with the GSE's. Conversations on Premium Recapture divided investors and issuers – while issuers view the concept as a doomsday device with existential consequences for the CMBS market, investors take the view that it represents an effective risk-retention tool that has precedent in other structured-finance spheres (auto, credit card, etc.). All could agree, however, that the concept, as laid out in the NPR, requires significant refinement.

Day two continued with discussions of the return of a market for floating rate deals as fixed rate competition heats up. As I tweeted, more than a few participants discussed the re-invention of the CRE CDO as a viable financing model (yes, someone will find a way to get a CRE CDO done, and no, it will not be called a "CDO"). We at *Crunchedcredit.com* concluded the business end of the Conference with dinner and cocktails with close to 200 of our friends and clients at Quality Meats. The food was good and the room was full – very full – a physical manifestation of a market back at work. We were overjoyed with the size of the turnout and the opportunity to rub shoulders (literally) with so many of those we work with throughout the year.