



1st Service Solutions Sounds the CMBS Maturity Alarm Almost \$150 Billion at Risk in the Next Three Years

DALLAS, TX (April 22, 2015) – [1st Service Solutions](#), an industry leading commercial real estate loan owner advocate and refinance firm, has some sobering news to share about the future of maturities in the commercial mortgage backed security (CMBS) loans. Recent facts and figures are confirming what 1st Service Solutions executives are already seeing on the ground—a rising percentage of borrowers unable to pay their loan off at maturity.

Feeding into this perfect storm of predictable loan defaults is the 10-year window of repayment for CMBS loans originated during the 2005-2007 time frame, aided by fast and loose underwriting parameters just prior to the great recession. These loans are now coming due and borrowers holding these CMBS loans won't come close to meeting their obligations, leading them to seek relief in the only possible avenue—loan restructuring. It's either that option, or foreclosure.

"90 percent of our [2015] first quarter new restructure requests were due to maturity issues, and we've had a huge uptick in business over the first quarter of 2014," reports Ann Hambly, founder and CEO of 1st Service Solutions. "Looking out at the next three years of maturing CMBS loans, metaphorically speaking, is like viewing an incoming tsunami from the shoreline. There is real trouble out there and it needs to be dealt with accordingly. And unfortunately, there are very few companies who approach loan restructuring with advocacy on the borrower's behalf."

A report issued in February of this year backs this claim with staggering accuracy. According to Morningstar's CMBS Surveillance Maturity Report, \$148 billion in loans are at risk, nearly half of which have a loan-to-value ratio above 80 percent. The report goes on to state that it is predicted that a full *30 percent* of these troubled loans will not be paid off at maturity. These borrowers will need to seek relief in advance to avoid delinquency and, in a worst case scenario, default.

One of 1st Service Solutions most recent restructuring deals is a prime example. A borrower owned a 322,000 square foot office building in Arizona, originated through an \$11 million note in 2005. Leveraged on a single tenant who vacated less than two months from the 10-year maturity date in 2015, the borrower had to scramble to find a bridge lending solution or face an inevitable default. Multiply this case study with hundreds of similar situations and the financial concern becomes all too real.

While many observers would deem this an internal problem for the commercial real estate industry, unlikely to affect them personally, consider this— CMBS loans are owned by bondholders, some of which include a wide-reaching variety of public pension funds. These include fire, police and other civic organizations scattered throughout the country.

"The commercial real estate industry and especially borrowers with CMBS loans need to heed these warning signs," stated Hambly. "Time is running out and the focus on solutions to this coming crisis need discussion and action before it's too late. At 1st Service [Solutions], we have a saying around here, 'Deal with it now...or you'll experience it later.'"

For more information, please visit 1st Service Solutions at www.1stsss.com or call (817) 756-7227.

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About 1st Service Solutions

Founded in 2005 by Ann Hambly in Grapevine, Texas, 1st Service Solutions was the first firm dedicated to serving exclusively as a borrower advocate in loan restructuring and assumptions within Commercial Mortgage-Backed Securities (CMBS). Over the years, the firm has remained the industry leader in the borrower advocacy realm. 1st Service Solutions now offers their services to commercial real estate owners for all products (FHA, Fannie Mae, Bank loans) in addition to its core CMBS product. The firm has served as a borrower advocate on over \$15 billion in transactions nationwide as of year-end 2014. For more information, contact us at 817-756-7227 or visit www.1stsss.com.