

Evaluations

A Key Resource for Managing Valuation Risk and Cost during Unsettled Times

COLLATERAL VALUATION IS A RECURRING FOCAL POINT FOR COMMERCIAL REAL ESTATE LENDERS. EVER MORE SO TODAY.



BOXWOOD MEANS

Know the value of Main Street®

MEETING TODAY'S VALUATION NEEDS HEAD ON

Collateral valuation is a recurring focal point for commercial real estate lenders. Ever more so today.

Collateral monitoring is a key to risk mitigation for CRE loan portfolios. Amid the pandemic, portfolio risk management needs are greatly magnified because of material changes in CRE market conditions and certain sectors of the economy.

“...portfolio risk management needs are greatly magnified because of material changes in CRE market conditions...”

A recent survey found that 66% of chief risk officers at commercial banks identified credit quality deterioration as a major concern over the next two years. Moreover, within specific areas of credit risk a sizable percentage of bankers believed that collateral valuation (48%) and commercial real estate (43%) posed extremely or very challenging issues for their institutions.

As a result of elevated market instability and risks to credit quality, by necessity lenders are burdened with a more intensive and time-consuming effort in managing the loan portfolio. This effort also comes with significantly greater collateral Appraisal costs.

However, small-balance CRE lenders that systemically separate smaller CRE loan collateral from larger assets, and further classify them into risk buckets based on property type, location, and LTVs among other risk attributes, will find opportunities to manage collateral valuations more efficiently, faster, and at far lesser cost. How? By employing commercial Evaluations instead of USPAP Appraisals. Annual cost savings will run into the tens of thousands of dollars or more depending on the size of a lender's commercial mortgage portfolio. Those are sizable numbers, especially when sluggish market conditions are cutting into lending activity and profits.

“...small-balance CRE lenders...will find opportunities to manage collateral valuations more efficiently, faster, and at far lesser cost...by employing Evaluations.”

Commercial Evaluations can be highly effective and sensible depending on the property's general operating status, i.e., Income-Producing or Owner-Occupied, as well as the degree of an asset's complexity and the relative riskiness of the loan.

EVALUATION SWEET SPOTS

Commercial Evaluations are best suited for less complex properties and lower-risk loans with the general attributes below.

INCOME-PRODUCING PROPERTIES:

- ▶ **Commercial Bank Originations:**
Under \$500k (per Agency Guidelines)
- ▶ **Nonbank Originations:**
Under \$15 million
- ▶ **Commercial Bank Renewals (and extensions, modifications) & Collateral Monitoring:**
Under \$5 million
- ▶ **Nonbank Renewals and Collateral Monitoring:**
Under \$15 million
- ▶ **LTVs under 75%**

OWNER-OCCUPIED PROPERTIES:

- ▶ **Commercial Bank Originations:**
Under \$1 million (per Agency Guidelines)
- ▶ **Nonbank Originations:**
Under \$15 million
- ▶ **Commercial Bank Renewals (and extensions and modifications) & Collateral Monitoring:**
Under \$3 million
- ▶ **Nonbank Renewals and Collateral Monitoring:**
Under \$15 million
- ▶ **LTVs under 60%**

WHY USE BOXWOOD'S FIELDSMART EVALUATIONS

All Evaluations are not spun from the same cloth. Boxwood's FieldSmart Evaluations are engineered precisely for small-cap CRE valuations on the types of loans listed above. FieldSmart reports stand apart from similar industry products primarily because of data-rich analysis and reporting that produce high valuation reliability and trust among clients. Additional benefits of our services include:

► **Variety of Reports:**

Pick from a range of FieldSmart Evaluation reports to meet different user needs for report detail, turn time, and cost.

► **Rapid Response:**

Our dedicated client service staff answer your queries fast, so you don't lose valuable time.

► **Direct Analyst Access:**

Have a technical or valuations-related question for our appraisers and analysts? Talk with or email them directly.

► **On-Time, All the Time:**

We don't miss due dates, period.

► **Stay Informed:**

Keep on top of your order status online from order submission to report delivery.

► **Connected:**

We maintain electronic integrations with several AMCs and other third-party platforms.

► **Track Record:**

Our stable, in-house team of appraisers and analysts average between 10-30 years of valuation experience completing thousands of reports on a national scope.

“All Evaluations are not spun
from the same cloth.”

Join over 300 commercial bank and nonbank clients that reap the rewards of lower annual Appraisal costs in their important CRE portfolio monitoring efforts.

**CONTACT US TO LEARN MORE ABOUT HOW
BOXWOOD'S FIELDSMART EVALUATIONS CAN
ENHANCE YOUR COLLATERAL VALUATION
AND PORTFOLIO MONITORING ACTIVITIES.**

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