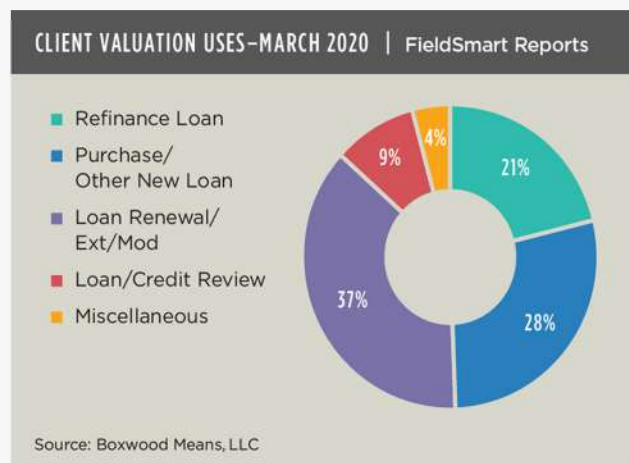


Loan Modifications Rise as Small Businesses Close

Many small businesses across the U.S. face a financial crisis from the fallout of the coronavirus causing millions of workers to initially file for unemployment benefits. The abruptness and velocity of business closures is squeezing many commercial property owners who, either as user-occupants or managers of rental properties, are increasingly unable to meet their mortgage payments as cash flow declines. Commercial bank and nonbank lenders are thus facing a flood of borrower requests for loan modifications. A recent uptick in Boxwood's evaluation orders supporting loan modifications bears this trend out.



During March, we witnessed a shift in the reported uses of our FieldSmart Evaluation reports by bank clients in reaction to changing borrower and market conditions. In an analysis of our March data compared with six months ago, key takeaways included:

- Loan renewals, modifications and extensions increased 4 percentage points to 37% of all FieldSmart valuation uses, the highest level in at least the past two years.
- Purchase and other new loans fell by 6 percentage points to a 28% share of all orders, also a low point.
- Refinance loans tallied 21% of the FieldSmart uses, up 2 percentage points.

We fully anticipate that loan modifications will expand, and purchase originations decline in the months ahead as the pandemic's impact on the economy and CRE intensifies. In fact, several bank clients have indicated that after granting streamlined approvals of payment deferrals over an initial grace period, they will require evaluations or appraisals, as part of their due diligence before extending additional periods of forbearance. This is a prudent approach since we have already detected and reported on early signs of deterioration in CRE market conditions based on preliminary Q1 data.

Boxwood is prepared for the increased workload of FieldSmart Evaluations and FieldSmart Restricted Appraisals by augmenting our team of veteran licensed appraisers and senior analysts. Contact us so that we can help with any surge in loan modifications and subsequent transactions.