

Lenders Bracing for Rise in Bad Real Estate Loans

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Banks, mortgage REITs increasing reserves set aside for uncollectible debt.

The Fed in 2016 changed the accounting standards, requiring lenders to do a more detailed, forward-looking analysis of expected losses. The new rules, which took effect in 2020, also expanded requirements beyond banks to non-bank lenders such as mortgage REITs...Of particular concern to the real estate industry is that the new

accounting standards could make it more difficult to write new loans. Credit loss reserves reduce the capital a lender has on its books. That capital level determines how much lending a company can do.

Rob Gilman, co-head of the [real estate group at the accounting firm Anchin](#), said that with the recent failure of Signature Bank and general shakiness in the lending markets, things are only going to get tougher for borrowers.

“If banks are taking reserves on real estate loans and now they’re going to have less to lend out, either you’re going to have more fees or higher rates,” he said.

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