



Recent Mods Show Scant Evidence of a Major Change in Servicer Preferences

Growing chatter and anecdotal evidence pointing to the end of the so-called extend and pretend era puts a spotlight on the rationale for loan modifications that special servicers still execute. Mod substantiation narratives that servicers sometimes disclose can help shed light on that rationale. The disclosure is not consistent. We continue to come across loan modifications that do not include modification reports, and the attendant substantiation. The substantiation narratives in the mod reports that are available vary in detail and substance.

Substantiating the workout decision-making on properties that have been struggling for many years is especially informative. Narratives in recent mods such Dayton Mall (\$37 million, WFRBS 2012-C10) lay out in detail some of the alternative resolution approaches the servicer faced. Dayton Mall has been in special servicing since 2021. The substantiation mentions that specific property sale cash offers were significantly less than the executed loan assumption (Figure 1). To be sure, the mod-driven \$34.6 million write-off is raising eyebrows. The five-year extension pushes the loan maturity to 2030, a staggering 18-year term after the loan’s origination. The mod substantiation at least suggests the tangible alternatives via property sale were even worse.

Stav Gaon
+1 (646) 768-9173
sgaon@academysecurities.com

Headquarters Address:
Academy Securities, Inc.
622 Third Avenue, 12th Fl
New York, NY 10017

Figure 1. Dayton Mall Loan Modification

	<u>Pre-Mod Terms</u>	<u>Modified Terms</u>	<u>Substantiation</u>
Loan Balance	\$71,612,196	\$37,000,000	<ul style="list-style-type: none"> • The property was widely marketed by a national brokerage firm with 7 investor bids received initially • The new borrower sponsor has extensive experience with retail assets and malls in particular • Significant \$7 MM equity contribution by the new borrower • The loan will be in cash trap throughout the term with excess cash flow retained for future TILC and other property needs • The highest cash bid was \$22.5 MM and that scenario results in a lower NPV vs. proposed 5-year loan assumption of \$37 MM with a \$28.5 MM DPO option. The \$22.5 MM cash bid was also subsequently withdrawn by the buyer who expressed that their latest bid would be in the \$15 MM to \$18 MM range
Coupon	4.57% fixed	4.57% fixed	
Amortization	Interest only	Interest only	
Maturity	9/1/2022	11/1/2030	
Appraised Value History	\$29.9 MM (Jul 2025) \$36.5 MM (Aug 2024) \$40.2 MM (Aug 2022) \$132.0 MM (Dec 2012)	\$29.8 MM (Dec 2025)	
Status	In Foreclosure - Special	Current - Returning to Master	
Borrower Sponsor	Glimcher	Hull Property Group	
Other	The loan was in receivership in December 2021. Status turned to matured non-performing in September 2022 with the foreclosure process starting December 2022.	Loan assumed by new borrower with \$34.6 MM of pre-mod loan balance written off upon assumption. New borrower will also have a discounted payoff option (DPO) forgiving up to an additional \$8.5 MM if certain conditions are met	

Source: Morningstar Credit and Academy Securities

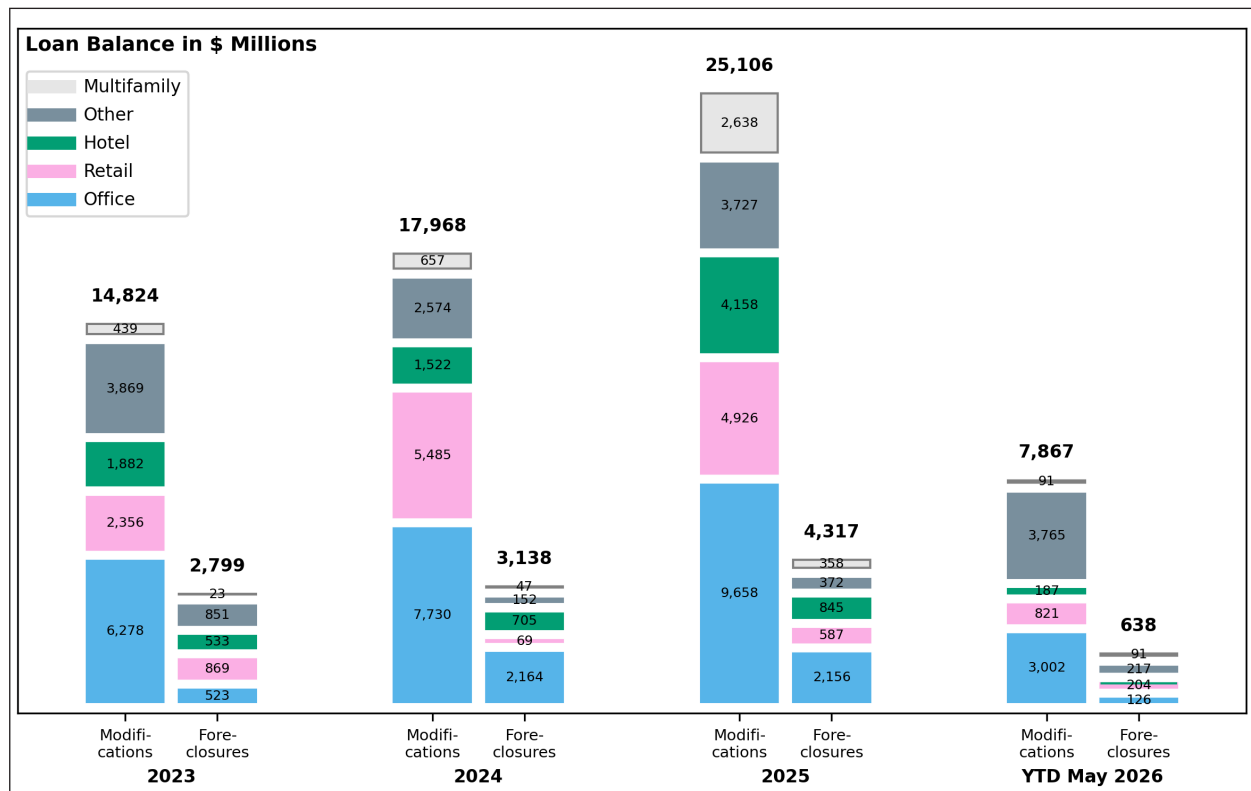
Mod Substantiations: Tracking a Shift in Distressed Workouts

Borrower Commitment Remains a Key Workout Determinant

Large foreclosures or note sales are popping up across both CMBS and the broader CRE market. The rising sale/foreclosure volume provides mixed evidence on whether lenders and servicers are changing their approach on workouts. The Seattle area office market is one case study. At least three notable properties are just hitting the sales block: Bravern Office Commons in the Bellevue submarket (\$304 million, BAMLL 2020-BOC and BANK 2020-BN26), and US Bank Center and the Docusign Tower in downtown Seattle.

It appears that Seattle office property lenders are coming to terms with a distressed market, that has been relatively slow to recover. Seattle has recorded one of the highest office vacancies across large [markets](#).¹ Yet servicer commentary in BAMLL 2020-BOC suggests the borrower is not committed to the property, and is cooperating with a foreclosure/sale process. If the borrower were interested in a loan modification, we are inclined to believe the servicer would have entertained that approach (Figure 2). Borrower commitment and involvement likely remain critical factors in determining workout approaches. In contrast, the reportedly deep-discount sales at US Bank Center and Docusign Tower are consistent with a general theme of lender inclination for distressed property sales and loss realizations.

Figure 2. CMBS Foreclosures and Modifications



Source: Morningstar Credit and Academy Securities

¹ "Parking Garages: Seattle Distress Spotlights Niche Property Sector," CMBS Credit Focus, Academy Securities, March 26, 2026

Mod Substantiations: Tracking a Shift in Distressed Workouts

Substantiation narratives across loan modifications also are not necessarily pointing to a change of direction in workout approaches. We see nearly boilerplate rationale bullets in most of the recent mod templates. The typical bullets are the following, with some slight language variations:

- “The proposal involves the infusion of new equity from the borrower/sponsors/guarantors”
- “The borrower/sponsor is best suited to manage/lease the property”
- “The proposed modification will allow the borrower additional time to achieve their business plan of repositioning/stabilizing the property”
- “The proposed modification results in the loan returning to performing status”
- “The approved action eliminates the need for the lender to take title to the property in the short term”
- “The approved action is estimated to produce a greater recovery on a net present value basis than the alternatives”

We can’t read too much into flimsy substantiation narratives. For context, CREFC’s IRP introduced the narrative loan modification report back in 2010 to enable special servicers to provide bondholders with detailed modification information, especially on complex mods. Available mod templates typically are helpful in laying out mod terms in [detail](#).² Yet the substantiation narratives remain relatively thin. At the very least, we haven’t identified a notable change in the typical substantiation bullets, in a way that suggests a shift in how servicers rationalize mods. To be sure, stricter, more lender-friendly mod provisions could also point to changes in servicer behavior. But amid highly complex mods, with many moving parts, it is also a shift that is difficult to [pin down](#).³

Servicing Standard Underpins Workout Approach

The provisions of the so-called “servicing standard” underpin servicers’ approach to workouts. The servicing standard guides both master and special servicers to operate in the best interests of the bondholders “as a collective whole”. More specific provisions within the servicing standard framework direct special servicers to maximize recovery of principal and interest to the bondholders, again as a collective whole. The servicer should maximize such recovery on “a present value basis”. The special servicer can determine the discount rate for the anticipated principal and interest collections. But the discount rate should not be less than the net mortgage rate. The servicing standard also directs servicers to disregard any conflicts of interest they may have as they perform their duties.

All told, we see a combination of very broad and perhaps subjective guidelines in the servicing standard provisions, along with a handful of more prescriptive directions. It appears that some of the substantiation bullets we see in mod templates are tied to the servicing standard guidance. In particular, a very common blurb we see across quite a few mod reports states that the servicer believes a mod is estimated to produce a greater recovery on a net present value basis than the alternatives. Such blurb closely echoes the servicing standard language. Servicing standard provisions usually do not get into much detail on how a servicer needs to substantiate the maximum recovery determination. As such, perhaps it is not surprising to come across so many boilerplate-like substantiations in actual loan modification reports.

² “Mod Waterfalls: Split A/Bs Should Not Override Deal Allocation Priorities,” CMBS Credit Focus, Academy Securities, May 4, 2026

³ “Office Modifications: “Left Behind” Properties in a Recovering NYC Market,” CMBS Credit Focus, Academy Securities, January 7, 2026

Academy Securitized Products Research Reports

Securitized Products Special Topics - Esoteric ABS:

[Bitcoin-Backed Bonds: Concrete Structural Parameters on First Deals](#)

[RV ABS: Niche Segment Finds a Place Between Prime and Subprime Auto](#)

[Crypto Collateral: Expect Robust Par Value Tests](#)

[Utility Rates: Rising Bills Can Bolster RRB Deals](#)

[Energy Transition: Expect Broader Definitions in Securitization Laws](#)

[Power Costs: Data Centers and Recovery Bonds Poised for More Predictability](#)

[Sports Securitization: Vet League Revenues and Stadium Cashflows](#)

[Timeshare ABS: Program-specific Attributes to Drive Performance](#)

[Music ABS: Pool Variations Emerge Amid Constructive Sector View](#)

[Tower ABS: Tenant Preferences Bode Well for Leasing Demand](#)

[Aircraft ABS: Momentum Builds for Insurance Booster](#)

[Data Centers: Tenant Rosters Poised to Change](#)

[Container ABS: Geopolitical Tailwinds as Issuance Picks Up](#)

[Gas Securitization: Shorter WAL Alternative to Electric Charge Deals](#)

[Net Leases: Scarcity Value as Issuance Poised to Pick Up](#)

[Recovery Bonds: Deal Reporting Shows True-Up Adjustments Potency](#)

[Data Centers: Performance Wrinkles to Test Operators' Role](#)

[Recovery Bonds: Diversifying Exposure Moves Beyond Disasters](#)

[Device Payment ABS: Expect Stable Performance as Collateral Evolves](#)

[Aircraft ABS: Waterfalls Playing Catch-Up as Fundamentals Recover](#)

[Data Centers: Teakeaways from 2023-Vintage Deals](#)

[Litigation ABS: Tailwinds in Place for an Uncorrelated Segment](#)

[Equipment ABS: Pick Your Spots Amid Diverging Collateral Trends](#)

[Commercial Solar ABS: Emergent Segment to Alleviate Headline Risks](#)

[Cell Towers: Lender-Friendly Features Dovetail with Secular Tailwinds](#)

[Timeshare ABS: Exposure to Favorable Hospitality Segments](#)

[Recovery Bonds: No Need to Closely Watch the Fed or the Economy Here](#)

[Data Centers: A Strong Segment Juggles ABS and CMBS](#)

Mod Substantiations: Tracking a Shift in Distressed Workouts

Securitized Products Special Topics:

[Military Data Centers: A Wave of Properties on Government Land](#)

[Data Center Campuses: Phase Buildouts to Scatter Investor Exposures](#)

[PJM Auctions: Weeding Out Spec Data Center Construction](#)

[Payment Priorities: Mobile & Electric Bills Upend Consumer Waterfall](#)

[Stranded Assets: Power Plants and Data Centers Performance Intertwine](#)

[Infrastructure CLO: Concentrated Exposures in Favored Segments](#)

[Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers](#)

[Power Failures: Amazon/PacifiCorp Dispute Highlights Power Agreements](#)

[Backup Servicing: Tricolor Spotlights Backup Servicer Temperature](#)

[Euro Stadiums: Check Blueprints for Upcoming US Transactions](#)

[Data Centers Capex: Mixed Estimates on a Key Cashflow Driver](#)

[ARDs: Missing Anticipated Repayment Not Unusual, May Warrant Workout](#)

[BBnB: Check Your Booked-But-not-Billed Data Center Exposure](#)

[Stadium Finance: Shift to Private Funding Sets Stage for Securitization](#)

[Early Terminations: Tenant-friendly Provisions to Move Up Data Center Rollovers](#)

[Life Sciences: Surveil Your Exposure as Distress Percolates](#)

[CRE CLO Liquidations: Losses Accumulate, but No Immediate Writedowns](#)

[Office Contractions: New Term Rollover Risk, and Swelling Reserves](#)

[Multifamily Expenses: Broad Increases Mask the Fluctuations](#)

[Small Balance Commercial: Periphery Locations and “Weak” Sponsors May Prove Supportive](#)

[Investor Non-QM: Pockets of Value as Underwriting Tightens](#)

[Multifamily Prepays: Becoming Less Common, as Property Sales Drop](#)

[CRE CLO Mods: Rising Volume Not Immediately Telegraphing Distress](#)

[Agency Floaters: Adjusting Interest Rate Cap Escrows](#)

[Multifamily CRT: Limited Credit Risk on Synthetic Exposures](#)

[OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up](#)

[Self Storage: Aspects to Watch as Performance Decelerates](#)

[Transitional Multifamily: Collateral Migration Away from CRE CLO Offers Different Deal Profile](#)

[Affordable Mortgages: Fee Elimination Spotlights Convexity Profile](#)

[Investor Non-QM: Rental Exposure with Some Structural Twists](#)

[Small Balance Multifamily: Value Ahead of Slow Prepays](#)

[Future Funding: Potential Key Performance Driver as CRE CLO Pipeline Builds Up](#)

[Multifamily Prepays: Property Sales Trigger Paydowns](#)

[Manufactured Housing: Resilient Segment Amid Potential Multifamily Softness](#)

[Tender Offers: Expect More to Come, Though Not on a Predictable Schedule](#)

[NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions](#)

[Housing at a Crossroads: Single-family and Multifamily Exposures](#)

[Senior Housing: Focus on Segment Selection Amid Pandemic Impact](#)

[Disaster Performance: Pandemic Forbearance Resolutions Bode Well for Future Stresses](#)

[Russian Sanctions Impact: Lease Terminations and Forced Property Sales](#)

Mod Substantiations: Tracking a Shift in Distressed Workouts

CMBS Credit Focus:

[Mod Waterfalls: Split A/B Should Not Override Deal Allocation Priorities](#)

[Parking Garages: Seattle Distress Spotlights Niche Property Sector](#)

[Pari Passu Liquidations: Different Waterfalls on Same Property Sale](#)

[Office Mods: "Left Behind" Properties in a Recovering NYC Market](#)

[Control Rights: The Interplay of Co-Lender and Intercreditor Agreements](#)

[Negative ASER: Unexpected Upside for Subordinate Bonds](#)

[Interest-to-Principal Diversions: Track a Long List of Shortfall Drivers](#)

[Distressed Office: 522 Fifth Avenue Trade Illustrates Office Upside](#)

[BOLT: Liquidation Confirms Priority of Shortfalls Recovery](#)

[Office Receiverships: Gauge the Value of Changing Management](#)

[Litigation Holdbacks: Long Gone Loans Keep Haunting Trusts](#)

[Privileged Appraisals: Surprise ARA Jumps Baffle Investors](#)

[Office Re-defaults: Foreclosures to the Fore as Modified Maturities Near](#)

[Interest Adjustments: Track Shortfalls Repayment and Priority](#)

[New Leases: Track Post-Issuance Replacement Tenants](#)

[Property Protection Advances: Track Opaque Expenses in Long Workouts](#)

[Parkmerced: Abundance of Structural Angles to Determine Bond Cashflows](#)

[Pro-rata Prepays: Surprise Booster for Subordinate Bonds](#)

[PILOT: Check Another Wrinkle of Ground Leases](#)

[Non-Trust Debt: Check the Seniority of Your CMBS Collateral](#)

[Recovering Shortfalls: Credit IO Value in Distressed Office](#)

[Releasing Holdbacks: RENT is Writing Up Bonds](#)

[Reserves vs Advances: Servicers Tap Reserves to Lower Advances](#)

[Forward Forbearances: One Market Plaza Introduces a Twist to Mods](#)

[Loan Assumptions: Watch Waterfalls as New Borrowers Redevelop](#)

[Holdbacks: RENT in the Limelight, as Other Cases Brewing](#)

[Blanket NRAs: Shutting Down Advances Upends Credit IO Trades](#)

[Credit 2024: Workout Nuances Come to the Fore](#)

[Recovering the Non-Recoverable: Liquidation Nuance Bolsters Paydowns](#)

[Special Servicer Replacements: 1740 Broadway Crystalizes Implications](#)

[Crossgates Liquidation: Holdbacks Complicate Severity Projections](#)

[WODRA: Bond Cashflows Under Stress in Post-Mod Advance Recovery](#)

[Securitized Mezz: Workout Dynamics in Public Display](#)

Mod Substantiations: Tracking a Shift in Distressed Workouts

[Dark Triggers: Nuances in Focus as Tenant Departures and Subleasing Pick Up](#)

[Upping Appraisals: Recovering Valuations Reverse Shortfalls](#)

[Non-Recoverable Advances: Unveiling a Rationale for a Key Decision](#)

[Excess Cash Allocations: Probing Advances on Positive Cashflowing Loans](#)

[Release Prices: Cherry Picking Across Office Portfolios, Sometimes at a Discount](#)

[Mezz Loan Sales: A Potential Headache for CMBS Workouts](#)

[Equity Pledges: Hotel Bossert Spotlights Dual Collateralized Loans](#)

[The Road to Conversion: Consider Office Ground Leases and ARD Loans](#)

[Credit 2023: Advancing and Workout Approaches to Play a Central Role](#)

[Hotel Receiverships: Palmer House Hilton Spotlights Stabilization Efforts](#)

[Office Modifications: 285 Madison May Offer a Blueprint for More to Come](#)

[Triple-A Shortfalls: Destiny Spotlights Delayed ASERs Impact](#)

[Inflation-Resistant Leases: Rent Steps Offer Some Revenue Protection, though Not Much](#)

[Industrial Delinquencies: Don't Happen Often, but Watch Closely When They Do](#)

[Hotel Reserves: Key Performance Driver after Pandemic-Driven Depletion](#)

[Government Tenants: Short Termination Notices and Specialized Properties](#)

[Mall Foreclosures: What to Track as Servicers May Shift Away from Modifications](#)

Disclaimer

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Academy Securities for any purpose including buying, selling, or holding any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

This information discusses general market activity, industry or sector trends, or other broad-based business, economic, market or political conditions and should not be construed as operational, research or investment advice. This material has been prepared by Academy Securities and is not financial research nor a product of Academy Securities. It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from those of Academy Securities. Investors are urged to consult with their financial advisors before buying or selling any securities. This information may not be current and Academy Securities has no obligation to provide any updates or changes.

Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Academy Securities has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of “failed” or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

THIS MATERIAL DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

©Academy Securities, Inc.