The Preferences of Financial Institutions for Construction and Permanent Mortgage Lending on Multi-Unit Residential and Commercial Income Properties

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I. Introduction

The construction of multi-unit residential and commercial income properties is an important component of building activity that goes on in the United States economy in any one year. Since the construction and ownership of these properties are almost entirely carried by debt instruments rather than equity investment, it is obvious that the financial markets and financial institutions delivering funds to this activity are crucial to the production process. In this paper we propose to explore the risks associated with lending on the construction and ownership of these properties and the attitude of the major institutional lenders to different types of properties.

Although studies have been made concerning the risk characteristics of major types of lending, little has been done in terms of income properties. One major reason for the void is that the significant lenders in the financial community have not openly supplied data and other information concerning this type of financing. Conservatism may be considered as one reason for this; two other factors must also be recognized. First, loans are often very large, and publicity about bad loans or even sound loans may result in a negative feedback to the financial institution. Secondly, borrowers are quite reluctant to see data released because much of the information contained in the lending process is highly personal.

The results of this study have not overcome these major shortcomings. Thus, the study must be considered only a preliminary effort at understanding this lending process. However, we feel that the results do add some additional knowledge to our understanding of how financial institutions perform in different circumstances.

II. Risk

Since we are limiting ourselves to one segment of a financial institution's portfolio we cannot introduce general portfolio optimization techniques into our discussion. However, some general definition's developed in the area of risky

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assets pinpoints the area of analysis our research pertains to. Risk is generally defined in terms of the variation in the yield of a particular asset relative to the volatility of yield on all risky assets. This variation can arise from either the individual riskiness of the project, i.e., the riskiness inherent in a project, the unsystematic risk, or the risk that comes from general movements in the market for all risky assets, i.e., the riskiness associated with all assets the systematic risk. The former type is not the major source of risk under review in this paper for it can be held in hand by proper lending operations, credit checks and experience.

We have concentrated, therefore, on the risks associated with particular property types as they relate to general movements in the market. Since data were not available on the yields of these properties, so that more objective measures of risk could be computed, we have had to approach the question subjectively. That is, we have had to infer from lender preferences the riskiness associated with different property types and how these lenders react to this riskiness over the credit cycle. To do this we have divided the analysis into three major areas that we have felt to be particularly relevant for obtaining data on lender preferences.

The first area is concerned with the relative risks of construction lending and permanent mortgage lending. Construction loans are term loans with no amortization of principal during the term of the loan while permanent mortgage loans are long-term investments of generally from 15 to 25 years with payments including both principal and interest. These differences lead to differences in potential variance of yield and thus may lead to differences in lender attitudes and even differences in lenders.

Secondly, within each maturity classification there are differences in the potential variation in yield on each type of income property loan. In a sense, property types can be classified into categories which may or may not be taken into consideration by a financial institution when lending on a particular type

of property. It is easily understandable that financial institutions will vary their attitudes towards these risk characteristics over the credit cycle.

Finally, we must consider the risk of lending that is associated with broad movements,in interest rates, generally related to broad inflationary or deflationary periods in the economy. This we feel, will alter the preferences of lenders for different types of loans, given their expectations of interest rate movements and their ability to use fixed or variable rate loans. Construction lenders have been more successful in their use of variable rates since construction loans have generally been considered business loans and thus have been subject to very little restriction. Permanent mortgage lenders have not used variable rates extensively due to public and/or legislative acceptance of their use.

III. Types of Lending Considered.

A. Construction Lending

Construction lending consists of the advancing of funds to a builder or owner for the improvement or construction of properties. Since it usually is of relatively short-term duration, it is generally made by financial institutions that have short-term liabilities, commercial banks being the largest single-holder of such loans. In recent years certain Real Estate Investment Trusts (R.E.I.T.'s) have become important lenders in the area; these being institutions that also have relatively short-term liabilities.

Lender Attitudes

Attitudes toward construction lending varies among lenders. Some, for example, are more concerned about property characteristics such as type, location and marketability: their main concern is whether the value of the real estate at the time construction is finished will be greater than the cost of purchasing the land and constructing the building. Other lenders are more borrower oriented: they place greater weight on the borrower's net worth, his development experience and his relationship with the institution. Furthermore it is not only important that the

borrower have experience in developing but that he have experience in what he intends to build. Of course, institutions may use some combination of property characteristics and borrower qualification in making decisions.

Commitment

The commitment of funds for a final mortgage protects the construction lender somewhat from the possibility of capital loss on a loan. At most times it is the final mortgage that arises from the commitment that provides the funds to payoff the construction loan. However, there are several reasons why commitments do not fully protect the lender. A permanent mortgage commitment assures that a permanent mortgage will fund the construction loan if the terms of the contract are fulfilled. This does not imply that the final mortgage is 100% certain. Bad planning, inflation, strikes, weather or a multitude of other factors can cause the conditions of the permanent commitment to be violated, thus allowing the permanent lender to pull out of the deal. The terms of the loans are, of course, much more closely enforced in periods when money is not readily available and/or interest rates increase from the time the original commitment was made.[1]

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[1] Stand-by commitments can be obtained but these are not expected to be used; they are a back-up to a project. To obtain such a commitment the developer pays a high fee and is subject to relatively onerous terms.

B. Permanent Mortgage Lending

Because of the nature of the final mortgage, permanent mortgage lenders tend to be financial institutions that have longer-term sources of funds. Thus life-insurance companies, mutual savings banks and savings and loan associations are the prime final lenders considered here. Although, this may be a little misleading in that the latter two primarily lend on single-family properties, mutual savings banks have approximately 35% of their mortgage portfolio in commercial and multi-family residential property, while savings and loan associations have close to 20% of their assets invested in these types of property.

Since the major concern of the lender in these circumstances is the 'going concern' nature of the projects, they are primarily worried about two things. First, they are concerned that the completed project meets the specifications set up in the initial commitment. Have time deadlines been met? Do the leases meet specification? Is the building in accordance with all plans? Secondly, the lender is concerned with the operations of the facility over time; that is will the property be managed properly and will the owners of the property be able to meet the payments as planned?

IV. Property Type and Risk

After analyzing the maturity structure of the construction loan process it is necessary to develop some rationale for risk classifications among the various types of properties under consideration. It must be realized, however, that the attitudes of financial institutions are not constant over the business cycle and that any review of the changing nature of the lending process is subject to some error in this respect. One would hope that assets were viewed as having certain amounts of risk and that changes in attitudes or behavior reflected differences in forecasts. However, it is too readily noticeable that a person's evaluation of the riskiness of a project is clouded when times are good and perhaps overstated when times are bad. Thus aware of this difficulty we propose to develop some rankings of property types according to risk characteristics and then match these with actual attitudes and lending practices to see if there is some rational assignment of risk.

Obviously, the most desirable characteristic a property can have is a stable demand for the services generated by the property. Changes in economic and monetary conditions do cause changes in the demand for services of different properties. Some demands are more interest rate sensitive and some are more income sensitive. For example, the recreational field and the hotel and motel industry usually suffer more during periods when income declines while the demand for single-family homes suffers most when interest rates rise.

A second area of concern deals with tenant orientation. Lenders prefer a proposed development that includes some, if not all, pre-leased tenants. However, the length of occupancy is also of some concern. The range of use of a facility can vary from hourly usage to many years. Sports facilities, for example, may only be filled a few hours per week. Motels and hotels users usually have short staying periods and occupancy at these facilities fluctuates on a daily, weekly, and monthly basis. On the other hand, office buildings and shopping centers have leases that run from one to several years.

Many times the site and the building are the crucial elements to the type of occupancy that can be achieved. General locations, such as governmental centers, can be important for the success of certain types of properties. Design, however, can hinder usage of a building and can even severely restrict marketability if it is a specialized facility.

Thus, with these general characteristics in mind we propose the following list of properties. The major headings are ranked from low risk to high risk and the individual property types are also ranked from low risk to high risk by our view of their riskiness.

PRE-LEASED PROJECTS

1. Office buildings
2. Shoping Centers
3. Warehouses
4. Industrial facilities

Office buildings are ranked first because of their stability in occupancy rates (once a reasonable rate is achieved) and their versatility of use. Shopping centers are listed next because (at least presently) there exists a relatively stable demand for the services offered and the complementary and supplementary nature of their occupants. Warehouses are third because they generally can be used to store a variety of projects. Industrial facilities are last on this list even though a plant leased to an established corporation can offer excellent security and stability of income: however, they are special purpose properties designed usually for a specific purpose.

RESIDENTIAL PROPERTY

1. Garden Apartments
2. Townhouses
3. Single-family House Developments
4. Apartment Buildings (Mid-Rise)
5. Apartment Buildings (High-Rise)
6. Condominiums
7. Mobile Home Parks

Residential Properties were placed second because of the relatively stable long-run demand for their services. The first and second types of residential structures considered are quite close in characteristics due to the fact that they are both

rental units, and they are relatively easy to construct and maintain. Garden apartments were given the first spot because they usually are more attractive to renters than are townhouses. Single-family homes are appealing due to the ownership factor but the lender may have to deal with several mortgagors in the commitment process. Mid-rise and high-rise apartments are costly investments due to their size and high cost of construction. However, the rental feature of these may be more appealing to consumers than the purchase of the unit as a condominium. Mobile home parks are listed last due to their limited market, their less attractive design and their association with trailer parks. They also have limited alternative uses.

SPECULATIVE REAL ESTATE

(1) Office Buildings
(2) Warehouses

The sub listing in this category follows the arguments presented for Pre-leased Projects.

SERVICE ORIENTED PROPERTIES

(1) Hotels (with Franchises)
(2) Motels (with Franchises)
(3) Nursing and Rest Homes
(4) Hospitals
(5) Hotels (without Franchises)
(6) Motels (without Franchises)

The need for efficient management is imperative to the operation of these properties. Thus they present higher risk category to the lender. Franchises of experienced chains can improve the service and marketability of a hotel or motel. Nursing homes and hospitals obviously require specially trained personnel.

SPECIAL PURPOSE PROPERTY

(1) Telephone Company
(2) Post Offices
(3) Gas Stations
(4) Food Franchises
(5) Auto dealerships

Even though leases are obtained in advance on these properties, the limited alternative uses of the buildings reduces the marketability at a foreclosure. The gas stations, food franchises and auto dealerships are under strong competitive pressure and experience high turnover rates in management. The placement of the telephone company and post offices is somewhat misleading. They are operated by established and stable organizations and should actually be ranked higher in another group than indicated here.

RECREATIONAL FACILITIES

The strengths of such properties may be associated with the popularity of the sport(s) or activity it houses. Management and maintenance are crucial to the property's regular use and condition.

V. Methodology

In order to obtain information on lender practices a questionnaire was submitted to 50 lenders composed of commercial banks, real estate investment trusts, life insurance companies, mutual savings banks, and savings and loan associations.

In October, 1974 a modified version of the questionnaire was sent to 869 lenders throughout the country. The institutions chosen for the survey had to be large enough to make loans for the construction or ownership of the property types under review.[2] A follow-up was sent in January, 1975. In total, 436 responses were received amounting to 48.77% of the sample population. Of these, 385, or 43.06% were usable for the analysis.

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[2] Lenders had to meet the following minimum asset size as of December 31, 1973 (000,000 omitted).

Commercial Banks	$250
Real Estate Investment Trusts	30
Life Insurance Companies	200
Mutual Savings Banks	185
Savings and Loan Associations	150

The questionnaire was primarily concerned with information relating to preferences of property type, location (regional and local), interest rate (fixed or floating), and the bonding requirement (of construction lenders only). To obtain information on how these preferences were affected over the credit cycle, the lenders were asked to respond to each of these questions under conditions of tight money, normal availavility of money or loose money. It is recognized that the answers to these questions are somewhat subjective since no specific guidelines were given as to what was meant by the three different degrees of monetary availability. Thus, any results obtained must only be taken as suggestive for each respondent had to make some judgment himself, as to what these conditions meant. We feel however that in general the lenders at these financial institutions have an inherent and relatively consistent understanding of tight, loose and normal monetary conditions.

Further constraints were placed on the R.E.I.T.'s and Life Insurance Companies. The former had to have at least $25 million in construction loans while the latter had to have at least $50 million in mortgages.

The results of the survey were then tabulated and then cross-tabulated in an attempt to discern general patterns of behavior by lender, by size of lender, by the location of the lender and by some measures of the riskiness of the lender. All of the results are too extensive to present in such a short paper, so that the results and conclusions of the survey will have to be summarized.[3] They will be summarized in the next section. It should be noted that since the questionnaire was designed in a "yes-no" format, the results represent a percentage of total response answering yes to a question.

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[3]All the results are presented in F.H. Leaffer, Construction and Permanent Mortgage Lending on Multi-Unit Residential and Commercial-Income Properties. Unpublished Masters' Thesis, University of Pennsylvania, 1975.

VI. Lenders

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The general response followed our a priori conclusions as to the riskiness of various types of properties. These results are presented in Table I. In general more financial institutions tend to lend, in "normal" times, on pre-leased proper- ties tend to involve the least amount of systematic risk for the lender. The per-

The general response followed our a priori conclusions as to the riskiness of various types of properties. These results are presented in Table I. In general more financial institutions tend to lend, in "normal" times, on pre-leased prop- erties than on any other type of property. As discussed above these properties tend to involve the least amount of systematic risk for the lender. The percen- tage lending on other property types indicate an increasing risk moving from left to right in the table.
ulative properties. All-in-all, the two construction lenders show greater balance across property types than the permanent mortgage lenders.[4]

Before discussing the responses in differing periods of credit availability it is significant to note that, in general, the responses differed by large amounts when comparing normal periods of credit availability with periods of tight money. However, there were few major changes in lender preferences when normal periods were compared with loose periods. A reason why this might be the case is that tight periods represent conditions of true constraint. On the other hand, as monetary conditions become easier, financial institutions do not change their policies as to whom they lend to but lend more to each category. This could be examined by looking at relative volumes of new loans during different periods of credit restraint. The major problems with this, however, is that new loan volume may be more demand determined than supply determined.

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[4]It should be noted that mobile home parks are considered to be extremely risky and severely bias several results presented in the table. The over-all figure does leave mobile home parks in the calculation of response on residential properties.

To be more specific again, the rankings stay much as expected in tight money periods. The only change is that special purpose property is lent on by more respondents than service oriented properties. The reason for this difference is that leased Post Office Buildings and Leased Telephone Buildings remain viable enough during these periods to hold up the total lending in this category. Otherwise, lending preferences remained the same.

Next we need to look at individual lenders more specifically. Commercial banks showed some differences according to asset size. Dividing respondents into cells of equal size it was seen that smaller banks shied from service oriented properties and leased shopping centers when compared with the larger banks in the sample. Also smaller banks do not seem to lend on apartments as much as larger banks. Tight monetary conditions show the smaller ones moving more out of leased office buildings and industrial facilities.

If a generalization can be made concerning these changes, it is that the major difference in lending preferences and also in adjustment to monetary conditions between small banks and large banks is not in risk preference _per se_, but in the size of loan necessary to carry a property. Although we lack sufficient information to draw too much from this fact, it would seem that the data indicate that the large banks are not adequately equating risk and return by taking on these larger loans. As such, some of the problem loans associated with the larger income properties may have been caused by undue exposure to risk.

In regard to the location of a bank, little geographic difference in lending preferences showed up in the survey.

We examined in the study the preferences of banks in comparison with measures of bank riskiness. Two measures of the risk classification of commercial banks were used. First, the loan-to-deposit ratio and, second, the demand deposit-to-total deposit ratio. In comparing the loan preferences with the loan-to-deposit ratio,

the results of the survey indicated that banks with a higher loan-to-deposit ratio tended to prefer higher risk properties. Specifically, major differences showed up in lending on condominiums, townhouses, high-rise apartments and hotels. However, these banks show a marked dropoff in preference for special purpose properties, condominiums, hotels and nursing homes when credit conditions become tight. In the latter periods, banks with low loan-to-deposit ratios tend to have a stronger preference for special purpose and speculative properties.

Commercial banks with high demand deposit-to-total deposit ratios had stronger preferences for speculative real estate but in periods of tight credit they seemed to prefer the pre-leased properties and garden apartments. In general it appears that riskier banks, in terms of the two measures of risk used, prefer to loan on riskier properties in normal times, but relative to less risky banks their preferences change more radically to less risky projects when credit conditions become tighter.

The R.E.I.T.'s showed few differences from expected, preferring leased properties (except for special purpose) and all types of residential facilities. Their response to credit tightening was similiar to the commercial banks. There seemed to be little relationship between the riskiness of a R.E.I.T. and its lending preferences.

As expected Life Insurance Companies preferred non-residential properties in general. The sensitivity of these preferences to credit conditions is somewhat different than commercial banks. Preleased properties declined by only 4 to 10 percent in terms of preferred lending responses while reductions ranged from 20 to 60 percent in all other classifications.

Larger insurance companies in normal times, seem to prefer, high-rise buildings and hotels (with franchises) more than do the smaller companies but the latter show stronger preferences for garden apartments and nursing homes. The larger cease to prefer hotels (with franchises) and speculative warehouses in tight periods of money while small companies move substantially out of apartment buildings (mid-rise and garden) and townhouses. Large Life Insurance firms tend to stay more in all types

of apartments during tight credit conditions than do small firms.

There seems to be substantial geographic difference in preferences on the part of life insurance companies. During periods of normal credit availability companies in the New England and Mid-Atlantic areas seem to prefer speculative real estate and all apartment properties more than companies in other sections of the country. However, most life companies reduce their lending on speculative real estate when money tightens.

Two measures of risk were used to classify the Life Insurance Companies. First, the mortgage loan-to-net policy reserve ratio and, secondly, the liabilities-to-asset ratio. In terms of the former, the riskier companies (those with a higher mortgage-to-net policy reserve ratio) seemed to prefer garden apartments in both normal and tight periods more than less risky companies. In terms of the latter measure, the riskier seem to prefer speculative real estate and apartment buildings more than the less risky in normal times but their preferences dropped more in speculative real estate as money conditions tightened. Interestingly enough, even in tight times the more highly levered firms continued their preference for apartments more than the less levered.

The respondents from the Mutual Savings Banks showed their interest in residential properties with garden apartments leading in lender preference; pre-leased properties, however, followed residential. There is considerable balance in the preferences of these institutions across classifications except for recreational facilities. This balance is again maintained in tight credit conditions although the banks' preference for residential properties shows up a little stronger during these times.

The larger banks do seem to show a higher preference for leased office buildings, shopping centers, warehouses and high-rise apartments during normal periods of credit availability than do smaller banks. However, in tight monetary periods the higher preference shows up only in high-rise apartments.

Since most Mutual Savings Banks are located in the New England and Mid-Atlantic area the comparison of lender location and property type is somewhat tenuous. An analysis of loan preferences and bank riskiness provided no clear relationships.

Single-family home developments are the most highly preferred type of property by the Savings and Loan Associations and residential property is the most highly favored group. Pre-leased property is second on the list. Preferences shift dramatically in periods of tight money as every category other than residential drops significantly in preferences.

Larger associations show a stronger interest in mid-rise apartments, leased industrial facilities and hospitals during normal credit availability than do smaller ones. They seem to maintain the relatively greater interest in mid-rise apartments and industrial facilities during credit restraint. Locational differences were determined to be misleading due to geographic disparities and therefore no no results are presented.

In general, lenders' preferences seemed to follow fairly closely the *a priori* rankings of the risk classifications of different properties. Except for the pecularities of the different types of financial institutions, i.e., commercial loans for life insurance companies and residential for mutual savings banks and savings and loan associations, preferences were in line with the rankings presented in Section IV. Furthermore, the results of the survey did indicate a tendency for the institutions to move into less risky properties in periods of restrictive monetary conditions.

There was also some indication that riskier institutions preferred riskier property types when money was generally available. However, these institutions showed the greatest change in preferences when money became tight. Location provided little information as to lender preferences and size of institution was slightly related to properties according to the size of the monetary commitment

necessary for the properties.

VIII. Other Results

The survey included questions relating to other parts of the lending relationship. One concerned the use of a floating interest rate. In periods of normal credit conditions about 70% of the commercial banks and 87% of the R.E.I.T.'s responding used only a floating interest rate on loans. 19% and 13% respectively used both a floating rate and a fixed rate. These amounts stayed relatively constant in tight conditions and declined slightly in loose periods. Interestingly enough only about 40% of the respondents started using floating rates on construction loans in the past three years. It should also be noted that small banks tended to use fixed interest rates more while the large and medium sized banks (over $530 million in assets) predominately used the floating rate.

As imagined, most permanent mortgage lenders used a fixed interest rate although about 10% of the respondents said they used floating or both floating and fixed. Most of these indicated that they began using the floating rate within the last three years.

Another question was asked concerning the lenders preference of the location of the property. The results are presented below. Local was defined as home state only; regional was defined as one or more regions; and national was defined as all regions.

	Commercial Banks	R.E.I.T.'s	Life Insurance	Savings Banks	Savings and Loan
Local	32%	0%	2%	24%	38%
Regional	55	27	62	56	47
National	13	73	36	20	15

As mentioned earlier, some institutions were more limited geographically than others and usuary laws do restrict lending on property located in a few states.

As expected the smaller institutions tend to be the local lenders. In terms of regional or local preference, commercial banks show little differentiation while R.E.I.T.'s show an interest in every region of the country. Life Insurance Companies show a strong interest in every region except New England. The thrift institutions tend to prefer the regions in which they have strong industries; the Mid-Atlantic region for the Mutual Savings Banks; the Southwest for the Savings and Loans.

Finally, there were questions relating to the borrower-developer. Construction lenders emphasize the customer relationship. Commercial banks many times lend to the customer rather than the deal. In addition the customer-bank relationship sometimes results in a waiver of the permanent mortgage commitment requirement or a loan available even in a period of tight money. Experience and the ability of a developer to complete a project and manage it is crucial. Some emphasis is put on the borrower's net worth showing some concern for his ability to cover interest costs and cost overruns.

For permanent mortgage lenders, the borrower's past development and management experience are important factors. Previous experience with the lender is also preferred. Of course, the property securing the loan is the most important factor, for its income is the source of annual debt service payments and its value is the source of principal repayment if foreclosure occurs.

Finally, there seems to be some indication that loan-to-value ratios are declining. In recent years, all to often, loan amounts equal to 75% or 80% of appraised value would equal 100% of costs. Financial institutions are seemingly becoming more conservative stating that most new projects will be financed with less than 100% debt.

VIII. Summary and Conclusions

The object of this study was to gather information concerning lender preferences for loans on different types of commercial and multi-unit residential properties.

These preferences were then to be compared with a ranking of properties based upon an *a priori* analysis of the risk of each. Interest was not centered on the individual or unsystematic risk associated with each loan but with the market or systematic risk of each property type.

Furthermore, an effort was made to discover how sensitive these preferences were to variations in monetary conditions. It was expected that as money tightened, financial institutions would move into property types that experienced less systematic risk while the reverse would be the situation as monetary conditions eased.

The results of the survey coincided closely with *a priori* expectations. Except for the cases where institutions were somewhat restricted in their choices, the preferences of lenders generally duplicated the perceived risk classes associated with property types. In addition, the evidence indicated a definite movement toward less risky property-types in conditions of tight money. Some more evidence was provided on this point in considering the riskiness of financial institutions as well. What differences were available indicated that in periods of normal credit availability, riskier institutions made riskier loans. However, for periods of tight credit their preferences for riskier property types declined more rapidly than did the preferences of less risky organizations.

Construction lenders have seemingly protected themselves from interest rate risk more than permanent mortgage lenders. This result may either reflect legislative or administrative factors, or borrowers' choices and alternatives. However, it seems many of these short-term lenders are capable of neutralizing short-run money market changes whereas the long-term lender must be more subject to the vagaries of movements in inflation and long-run interest rates.

Two additional factors need to be considered. First, these results are somewhat misleading if lenders place too much emphasis on customer relationships. This may tend to reduce the unsystematic risk of any loan. If this reduction in risk does not compensate for the possible increase in systematic risk by choosing

a riskier loan portfolio than necessary or desirable, then the lender is not making optimum choices. The results of the survey are only suggestive on this point.

Secondly, locational constraints may also limit lender choice and leave a financial institution at less than optimum position. Life Insurance Companies and R.E.I.T.'s seem less constrained by this than others. The other institutions surveyed do seem to be somewhat constricted in locational choice. In addition the respondents indicated that the smaller the institutions, the less geographical diversification and perhaps the more need for it.

In conclusion, it must be stated that these results are only instructive: much more additional work is needed to provide more conclusive answers. However, the results are important because of the lack of available information on the behavior of participants in this area of lending. Hopefully, more information will be forthcoming in the future.

Table I

Percentage of Respondents Lending on

Property Type under "Normal" Credit Conditions

	Pre-leased Projects	Residential Property	Speculative Real Estate	Service Oriented Property	Special Purpose Property	Recreational
Over-all	86.0%	66.2%	63.1%	42.6%	37.5%	7.1%
Commercial Banks	91.0	73.0[1]	73.5	53.7	56.4	20.1
R.E.I.T.'s	100.0	80.4	77.0	55.8	24.4	4.0
Life Insurance Cos.	92.3	32.9[2]	64.0	26.0	37.6	3.4
Mutual Savings Banks	76.3	65.0[3]	42.0	36.2	41.0	5.9
Savings and Loan Associations	70.3	79.6	59.0	41.3	28.0	8.1

1. Commercial Banks' figure is biased by inclusion of mobile home parks. Figure would be 78.5% if mobile home parks are excluded.

2. Life Insurance company figure is biased by inclusion of mobile home parks. Figure would be 43.8% if mobile home parks are excluded.

3. Mutual Savings Banks' figure is biased by inclusion of mobile home parks. Figure would be 74.8% if mobile home parks are excluded.

Table II

Percentage of Respondents Lending

on Property Types under "Tight" Credit Conditions

	Pre-leased Projects	Residential Property	Speculative Real Estate	Service Oriented Property	Special Purpose Property	Residential
Overall	57.0%	37.0%	23.1%	17.6%	19.6%	3.0%
Commercial Banks	70.3	46.3	41.5	41.8	33.4	11.1
R.E.I.T.'s	60.0	29.9	13.5	10.2	12.2	0.0
Life Insurance	85.3	20.7	31.0	10.3	26.0	1.1
Mutual Savings Banks	46.0	44.9[1]	18.0	16.5	19.0	2.0
Savings and Loan Association	23.3	43.0	11.5	9.2	7.2	0.7

1. Mutual Savings Banks' figure is biased by inclusion of mobile home parks. Figure would be 52.0% if mobile home parks are excluded.