

Stress and Defaults in CMBS Deals: Theory and Evidence

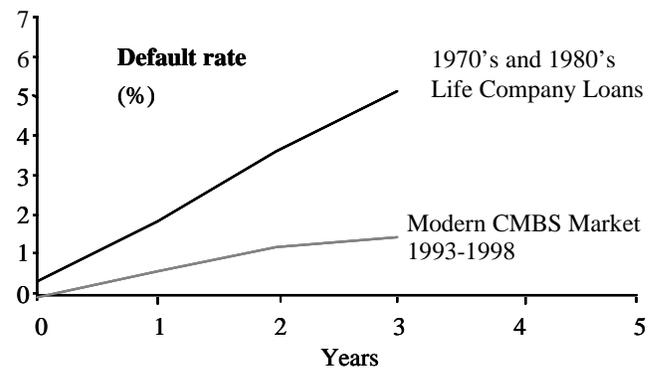
- We expect the number of defaults in the modern market will continue to be far fewer and their timing much more delayed than indicated by default studies of 1970s and 1980s loans.
- In the case of prudently underwritten deals, we believe default stress scenarios that mimic the older pattern are biased against bonds at the top and bottom of the CMBS structure and against CMBS IOs. When default stress scenarios are used with slightly lower cumulative defaults and delays in default timing, these bonds have much stronger relative performance. This report explores several of these alternative stress scenarios.
- With increasingly strong and consistent call protection in CMBS, the outlook for defaults is a key driver for both credit risk and prepayment risk.
- Collateral performance reports for J.P. Morgan CMBS deals are included at the back of the report.

Introduction and Summary

Default studies of 1970s and 1980s commercial mortgage loans by life companies show very high default rates (Chart 1). In addition, many defaults in 1970s and 1980s loans occurred early in the loan's life rather than at the loan's maturity or balloon date. In the modern CMBS market, by contrast, loan performance has been exceedingly strong (Chart 1). With very few balloon dates for modern CMBS deals yet tested, the stellar track record is primarily a story about the absence of so-called term defaults, those that occur prior to the balloon date.

One view of these data emphasizes the unusually strong rebound in commercial property cash flows and values in 1993-1998. With this exceptional period behind us, it might be argued that the default profile from 1970s and 1980s loans should be used to develop stress scenarios for modern CMBS deals. The performance of the different bonds under such stress would then be a guide to relative value. In a rough sense, some analysts have implicitly adopted this view. For example, many analysts use 2% compound default rate (CDR) scenarios to evaluate strong deals and 3% CDR scenarios to evaluate weaker deals. In these stress sce-

Chart 1
Cumulative default curves



Source: J.P. Morgan Securities Inc., Fitch-IBCA and Snyderman (1994)¹

narios, defaults come early and often, mimicking the pattern in 1970s and 1980s loans.

We challenge this view as well as the relevance of the 1970s and 1980s loan default statistics in directly setting stress benchmarks for modern CMBS. We believe that the modern CMBS market has benefited primarily from the tougher oversight and discipline provided by the public markets and highlighted by rating agency leadership. Of course, this discipline has had strong benefits for both property markets and the quality of loan underwriting. In our view, however, the continuation of these benefits rests primarily with the maintenance of public market discipline itself rather than with outsized early recovery property market gains.

As we see it, public market discipline is pervasive and operates on several different levels, all of which were notably absent in the 1980s. First, public market oversight makes for more realistic (lower) property prices, which has a direct impact on loan performance by limiting downside risk. At a second level, more realistic property pricing reduces development incentives, as occurred in 1998 when declines in real estate security prices spilled over into property market price declines. By keeping the demand and supply of space in better balance over time, property cash flows have been less volatile under public market discipline. (See our January 7, 1999 "CMBS Outlook 1999" report). How-

¹ The Fitch data used are from their early 1999 default study. The Snyderman reference is "Update on Commercial Mortgage Defaults", Mark P. Snyderman, Real Estate Finance Journal, Summer 1994.

ever, reduced cash flow volatility comes at a cost of greater short-term volatility in property prices. Under public market discipline, more mid-course corrections in property prices will be made. At a third level, rating agency leadership in much tougher cash-flow based underwriting deserves substantial credit. As discussed below, modern CMBS loans have much tougher cash flow coverage standards than 1970s and 1980s loans.

Obviously, the impact of all this is to reduce defaults. In addition, as argued below, tougher cash flow underwriting combined with reduced cash flow volatility causes defaults to be postponed rather than occurring early in the loan's term.

So, if the 1970s and 1980s default record is the wrong basis for stressing modern CMBS deals, what is the right way to do it? This is the question analyzed in the remainder of this report. Our answer involves slightly less total defaults but significant delay in timing. This implies that CMBS at the top and bottom of the structure as well as IOs come out much too poorly in the conventional stressing analysis. There is more relative value in these bonds generally and especially in deals with solid LTV characteristics and prudent underwriting. In addition, the entire exercise suggests that current pricing differentials within same-rated investment grade deals continue to offer substantial opportunity for the diligent analyst.

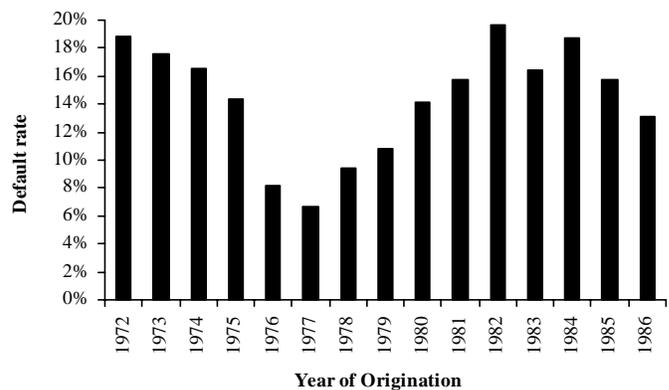
In the first section below, we discuss stress benchmarks for total default risk in CMBS. The second section discusses what the composition of defaults between term and balloon date defaults ought to be in a stress scenario. The third section below builds up our views into some textbook stress scenarios and compares these textbook cases with typical analyst practice in a generic deal example.

Stress benchmarks for total default risk

A major problem in selecting a default benchmark is that existing empirical studies look only at the experience of loans originated in the 1970s and 1980s. This experience is overshadowed by a single horrible credit shock episode, the massive overbuilding boom of the 1980s and subsequent crash. Chart 2 shows lifetime default rates by year of origination as compiled in Snyderman's study of life company mortgages (1994). Obviously, the results for the 1980s origination years are heavily influenced by the late 1980s/ early 1990s downturn. What is less obvious is that the 1970s results also heavily reflect this downturn. The reason is that the average original maturity of 1970s era mortgages, unlike the 1980s and 1990s, is a very long 22 years. This suggests that most of the defaults on the 1970s era loans occurred in the late 1980s downturn. Indeed, the results from the 1994 study (Chart 2) understate defaults for

1970s and 1980s vintage loans for at least two reasons. First, defaults are tracked only to the year 1991. Clearly, an updated study that counted subsequent defaults in 1992-1995 would show higher defaults for every origination year. Secondly, the widespread practice of "forced refinancings" in 1986-1994 further biases the statistics. Loans that reached their balloon date in these years typically found refinancing very difficult. In cases where the loans had shown the worst deterioration, a borrower often would offer the lender the option of taking "the keys to the property" or doing the refinancing. Since the refinancing received better risk based capital treatment from regulators and rating agencies alike, many "new loans" with super high loan-to-value ratios (LTVs) and super low debt service coverage ratios (DSCRs) were extended. These loans typically defaulted shortly after their refinancing date. The effect in the data was to convert balloon date defaults on 1970s era loans into early term defaults on 1988-1994 era loans.

Chart 2
Lifetime default rates



Source: Mark Snyderman, "Update on Commercial Mortgage Defaults", The Real Estate Finance Journal, Summer 1994, pg.25

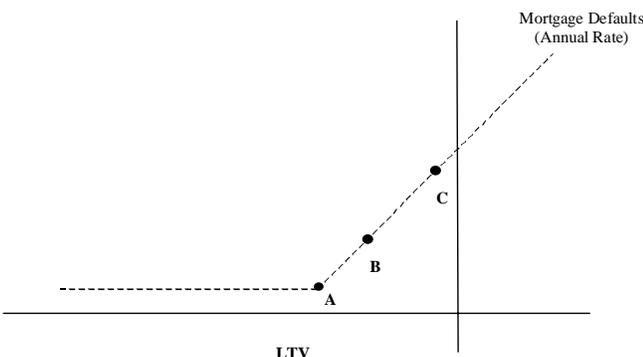
In our view, the 1980s overbuilding boom constitutes a one hundred year credit event in which very weak loan underwriting acted in concert with stratospheric property prices to produce a veritable "tulipmania" episode in real estate. Many loans during this period were underwritten to DSCRs in the 1.10x to 1.15x range with the expectation that inflation would result in improving cash coverage in the future. Often this was expressed as a "stabilized (i.e. future projection) DSCR" in the 1.25x to 1.35x range, which corresponded to the lower DSCR on a current cash flow basis. Little attention was paid to property price levels that were stratospheric relative to the costs of new development. In our view, this means that resulting loan performance cannot be taken at face value in constructing a stress test for the modern CMBS market. On the other hand, even if all the loan performance numbers we would like to have for 1990s vintage loans were available, the problem is that there is no "stress" in the unwaveringly positive 1990s experience of recovery in commercial real estate.

Faced with this dilemma, we have adopted the following approach. We employ an empirical default model estimated from the life company experience in the 1988-1992 downturn but partially adjusted to reflect the much tougher loan underwriting of the modern CMBS market. In particular, we attempt to remove the impact of late 1980s forced refinancings, which have no parallel in the modern CMBS market.

Our default model, originally estimated by Corcoran and Kao (Chart 3), is discussed elsewhere ⁽¹⁾. Using the model in this way for 70% LTV loans, we allowed property NOI and values to decline at a 3% annual rate for ten years, producing a 14% cumulative rate of default. This produces an empirically based default stress level which is below the lifetime default figures in Chart 1 for ten out of the fifteen years shown. It should be emphasized that this is not an expected level at all, but rather a reasonable candidate for a highly stressed default level in the modern CMBS market.

Chart 3

Corcoran-Kao default model



Source: Patrick J. Corcoran and Duen-Li Kao, “Quantifying Credit Risk in CMBS”, The Handbook of Mortgage Backed Securitization, Fourth Edition Frank J.Fabozzi 1995. See also Corcoran (1996) and Kao (1996) cited in text footnote.

Composition of default risk in stress scenarios

When we look at the composition of default risk, there is also contrast between the 1970s and 1980s life company loans and the modern CMBS market. In looking at the composition of default risk, we focus on how early the default occurs and on the mix between term defaults and balloon date defaults. Clearly, the earlier in time the default occurs (holding the loss severity constant), the higher the present value of attendant losses.

While we do not have explicit data on the mix of term and balloon defaults in 1970s and 1980s vintage loans, there were clearly many early term defaults. This can be seen in Chart 4,

showing defaults by years after the origination date. 1980s vintage loans had maturities predominantly in the intermediate term range (seven to ten years). 1970s loans typically had longer term maturities. Thus, the heavy share of defaults falling in the early years (zero to four years in Chart 4) point to lots of term defaults as opposed to balloon defaults.

This finding is in marked contrast to the modern CMBS market. In 1993-1999, very strong loan performance largely reflects the absence of term defaults. After all, with 1990s loans having maturity dates primarily in the intermediate term range, very few balloon dates have yet been tested. What then explains the high frequency of early term defaults in 1970s/ 1980s vintage loans? We believe that the answer rests with several factors not present in the modern market:

- (a) 1980s loans typically had much lower DSCRs at the same LTV compared to loans made since 1993. To see the difference in a severe stress scenario, look at Table 1. The table tracks the impact on LTV and DSCR in a scenario where both NOI and property values are falling 3% a year. Notice that the 1980s style loans slip from an initial DSCR of 1.15x to a level under 1.0x by the end of the fifth year. By contrast, the modern loan pool, with an initial DSCR of 1.40x (typical for non-apartment loans) slips to 1.20x at the same point. Clearly the pressure for early default arising from a deficiency of cash flow is severe in the 1980s loan pool. By contrast, in the modern loan pool, the borrower with cash flow easily covering debt service will postpone any exercise of the default option—even in cases where he may ultimately default at the balloon date.

Table 1

Stress test scenario for 1980’s loan and 1990’s loan ⁽¹⁾

	LTV	1980’s DSCR	1990’s DSCR
End of Year:			
Zero	70.0%	1.15x	1.40x
One	71.1%	1.12x	1.36x
Two	72.1%	1.08x	1.32x
Three	73.2%	1.05x	1.28x
Four	74.3%	1.02x	1.24x
Five	75.4%	0.99x	1.20x
Six	76.5%	0.96x	1.17x

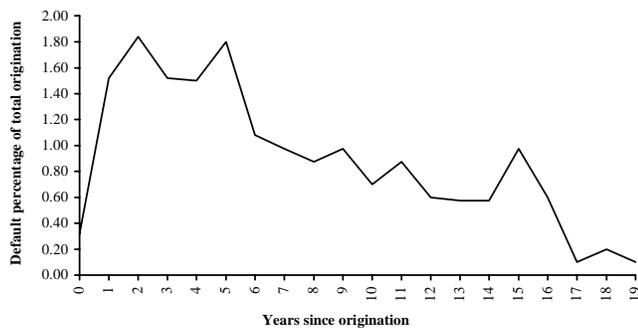
⁽¹⁾ Property net operating income (NOI) and property value are assumed to drop 3% per year. With amortization cash flow equivalent to about 1.5% of initial loan balance, LTV is rising by about 1.5% per year.

⁽¹⁾ See Patrick J. Corcoran and Duen-Li Kao, “Quantifying Credit Risk in CMBS”, The Handbook of Mortgage Backed Securities, Fourth Edition, Frank J. Fabozzi, editor, Probus, 1995. See also Patrick J. Corcoran, “Debt and Equity in the New Real Estate Markets”, and Duen-Li Kao, “Default Risk-Based Pricing in a Two-Asset Setting” in Fixed Income Solutions, Thomas S. Y. Ho, editor, Richard D. Irwin, 1996.

- (b) 1980s loans were not only weaker in DSCR terms. They were also weaker in properly measured LTV terms and were characterized by weaker underwriting generally. These factors also contributed to an abundance of early term defaults.
- (c) The sheer magnitude of the real estate downturn in the late 1980s contributed to early term defaults. In a more fundamental sense, the late 1980s downturn itself reflected the failure of private markets to discipline the real estate sector.
- (d) An important technical point was the widespread “forced refinancings” (sometimes called “involuntary rollovers”) of 1970s vintage loans. This transformed what would otherwise have been balloon date defaults into early term defaults for late 1980s and 1990s vintage loans.

Chart 4

Default occurrences by year of origination



Source: Mark Snyderman, “Update on Commercial Mortgage Defaults”, The Real Estate Finance Journal, Summer 1994, pg. 24

As highlighted in Table 1, much stronger DSCRs in the modern CMBS market tend to postpone defaults to the balloon date. In addition, as argued above, tough public market oversight minimizes the volatility of property cash flows at the expense of greater volatility in property prices. This also shifts defaults out to the balloon date.

Postponement of defaults is also encouraged by the multiple levels of underwriting in the modern CMBS market. An important part of this underwriting involves “kick-outs” by both rating agencies and B-piece buyers of the weakest loans in a pool. This process reduces both total and early term defaults.

In constructing a stress scenario for the modern CMBS market, the question is to what extent should defaults be pushed back toward the balloon date rather than concentrated early in the loan’s term. As in the case of total defaults, the evidence of the 1980s and the evidence from the modern CMBS market are at loggerheads.

Three alternative stress scenarios

In this section, we look at three alternative stress scenarios applied to a representative conduit deal. In each case, loss severity is set at 33% of the defaulted loan balance.

- (a) Representing typical investor practice, the first stress scenario is a 2% default rate (CDR) per year. In the context of a ten year loan pool with a 30-year amortization schedule, defaults cumulate to 16.7% at ten years.
- (b) The second stress scenario is constructed using the Corcoran-Kao default model, as described above. As described in Corcoran (1996), the impact of 1980s forced refinancings is roughly removed, but otherwise the late 1980s stress experience is imposed on the model. Cumulative defaults at ten years add up to 14%. In addition, unlike scenario (a), there is delay or backloading of the highest default rates. This comes because, as depicted in Chart 3, the model begins with a zero default rate (position A) and works its way up the curve (positions B and C), as property cash flows and values deteriorate. No allowance is made for the stronger DSCRs of loans in the modern market relative to the 1980s.
- (c) The third stress scenario uses the same cumulative default rate as scenario (b)—14%. However, it postpones all defaults to the ten year balloon date. In effect, this allows for the much stronger cash coverage of modern loans relative to the 1980s.

The yield tables and structural details for these scenarios are shown in the Appendix. The results are summarized in Table 2. What are the investment conclusions that follow from focusing on these different stress scenarios?

In the 2% CDR scenario, the conclusions are:

- (a) Single B and unrated bonds appear unattractive on an absolute basis. On a relative basis, the BB bond has higher default adjusted spread and lower cash flow volatility.
- (b) The short AAA has considerable cash flow volatility arising from term default risk. In our example, the weighted average life shortens from 6.50 years in the no loss case to 4.65 years (see Appendix).
- (c) The IO’s spread is similar to long AAA bond in the 2% CDR scenario, but it is obviously extremely volatile. The IO looks unattractive relative to the BBB- bond, for example, which has a 275 bps spread in both the no loss and 2% CDR scenarios and no volatility.

Table 2

Scenario bond spreads

Bond Classes	Base Case:	Default Scenarios		
	0CDR 0 CPR	2 CDR 0 CPR	Model Defaults 0 CPR	Balloon Default Scenario 0 CPR
AAA-5yr	98	93	97	98
AAA-10yr	123	123	123	123
AA	137	137	137	137
A	160	160	160	160
BBB	195	195	195	195
BBB-	275	275	275	271
BB	575	575	575	556
B/B-	725	22	443	420
B-	950	-1585	-406	-220
UR	1706	-2921	-16	689
X	450	127	369	475

Source: J.P. Morgan Securities Inc.

The Corcoran-Kao model default scenario is “in the middle” between the extremes of early term defaults and pure balloon defaults. What is striking about it is that the performance of the bonds generally is much closer to the balloon scenario than to the 2% CDR scenario. In part, of course, this reflects the lower 14% cumulative default rate. The highlights are:

- There is only a modest amount of shortening to the short AAA class. The weighted average life slips from 6.50 years in the base case to 5.85 years.
- In this scenario, the timing of defaults is in the middle between the extremes of early term and balloon date. The result is no extension to the BBB- and BB bonds and only modest extension to the B/B- class.
- The unrated bond suffers, but not nearly as much as in the 2% CDR case. The B/B- bond looks much more competitive to the attractive BB bond. The small B-class fares poorly. In our structure example, the B-bond, which is relatively small (see Appendix) looks unattractive in all the stress scenarios.
- The IO benefits strongly from the delay of defaults.

The balloon default scenario entails extensions of the BBB, BBB-, BB, and B/B- bond classes. The unrated and B-bonds receive no return of principal. However, the unrated bond benefits greatly from the delay of defaults because so much of its return arises from its very high current income. In this scenario:

- There is no shortening of the short AAA cash flows.
- The unrated and B/B- bonds are much more competitive with the BB bond, which still looks very attractive. The small B- class again fares poorly.

- The IO is a natural complement or hedge for the BBB-down to BB and B/B- bonds because the IO benefits from the extension while the mezzanine principal bonds do worse.

Conclusion and summary

Analyst deal stressing practices emphasize early term defaults as exemplified by the popular 2% CDR case. In turn, these practices have their empirical roots in default studies focusing on 1970s and 1980s loans made in the old fashioned private market. However, there are several powerful reasons why defaults will tend to be delayed. As argued above, these include the much stronger cash coverage of modern CMBS deals as well as the reduced volatility of property cash flows in the modern real estate sector experiencing tough public market discipline. These arguments are strongest in the context of prudent leverage and underwriting practices. One of the classic sources of early term defaults, of course, is weak underwriting.

As an alternative approach, we have examined stress scenarios that slightly reduce cumulative defaults relative to 1980s type benchmarks and that delay default realization compared to the 1980s pattern. Under these stress scenarios, bonds at the top and bottom of the CMBS structure, as well as the IOs perform much more strongly. Moreover, if (and perhaps we should say only if) we focus largely on stress scenarios where default is delayed, the IO has a natural complementary or hedging role alongside other principal bonds that are subject to extension risk.

Appendix

(Pricing of both CMBS and Treasuries based on June 1999)

Table A1

Base Case: No Defaults, 0% CPR

Class	Rating	Sub	Balance	Coupon	Pricing Yield				Clean Price	WAL	Mod Dur	Prin Window
					Yield	Bench	Index	Spread				
A1	AAA/AAA	29.50	22,000,000	6.855	6.797	TSY5YR	5.82	98	100.50000	6.50	4.89	1-120
A2	AAA/AAA	29.50	48,500,000	7.244	7.169	TSY10YR	5.94	123	101.00000	9.97	6.89	120-120
B	AA/AA	24.50	5,000,000	7.266	7.310	TSY10YR	5.94	137	101.00000	9.97	6.84	120-120
C	A/A	19.50	5,000,000	7.492	7.540	TSY10YR	5.94	160	101.00000	9.97	6.77	120-120
D	BBB/BBB	13.00	6,500,000	7.810	7.889	TSY10YR	5.94	195	100.83000	9.97	6.66	120-120
E	BBB-/BBB-	11.50	1,500,000	7.810	8.690	TSY10YR	5.94	275	95.60614	9.97	6.55	120-120
F	BB/BB	6.75	4,750,000	7.810	11.690	TSY10YR	5.94	575	78.97802	9.97	6.11	120-120
G	B/B-	3.50	3,250,000	6.000	13.190	TSY10YR	5.94	725	61.39484	9.97	6.28	120-120
H	B-	3.00	500,000	6.000	15.440	TSY10YR	5.94	950	53.45216	9.97	5.95	120-120
NR	UNR		3,000,000	6.000	23.000	TSY10YR	5.94	1706	35.36703	9.97	4.89	120-120
X	AAA		100,000,000	0.650	10.440	TSY10YR	5.94	450	4.17508	5.46	3.76	0-0

Table A2

2% CDR, 0% CPR

Class	Rating	Sub	Balance	Coupon	Pricing Yield				Clean Price	WAL	Mod Dur	Prin Window
					Yield	Bench	Index	Spread				
A1	AAA/AAA	29.50	22,000,000	6.855	6.749	TSY5YR	5.82	93	100.50000	4.65	3.73	1-103
A2	AAA/AAA	29.50	48,500,000	7.244	7.169	TSY10YR	5.94	123	101.00000	9.91	6.86	103-120
B	AA/AA	24.50	5,000,000	7.266	7.310	TSY10YR	5.94	137	101.00000	9.97	6.84	120-120
C	A/A	19.50	5,000,000	7.492	7.540	TSY10YR	5.94	160	101.00000	9.97	6.77	120-120
D	BBB/BBB	13.00	6,500,000	7.810	7.889	TSY10YR	5.94	195	100.83000	9.97	6.66	120-120
E	BBB-/BBB-	11.50	1,500,000	7.810	8.690	TSY10YR	5.94	275	95.60614	9.97	6.55	120-120
F	BB/BB	6.75	4,750,000	7.810	11.690	TSY10YR	5.94	575	78.97802	9.97	6.11	120-120
G	B/B-	3.50	3,250,000	6.000	6.161	TSY10YR	5.94	22	61.39484	10.39	6.00	120-132
H	B-	3.00	500,000	6.000	-9.911	TSY10YR	5.94	-1585	53.45216		3.73	0-0
NR	UNR		3,000,000	6.000	*****	TSY10YR	5.94	-2921	35.36703		2.85	0-0
X	AAA		100,000,000	0.650	7.213	TSY10YR	5.94	127	4.17508	4.82	3.75	0-0

Appendix

(Pricing of both CMBS and Treasuries based on June 1999)

Table A3

Model default scenario, 0% CPR

Class	Rating	Sub	Balance	Coupon	Pricing Yield				Clean	Mod		Prin
					Yield	Bench	Index	Spread	Price	WAL	Dur	Window
A1	AAA/AAA	29.50	22,000,000	6.855	6.785	TSY5YR	5.82	97	100.50000	5.85	4.52	1-115
A2	AAA/AAA	29.50	48,500,000	7.244	7.169	TSY10YR	5.94	123	101.00000	9.96	6.89	115-120
B	AA/AA	24.50	5,000,000	7.266	7.310	TSY10YR	5.94	137	101.00000	9.97	6.84	120-120
C	A/A	19.50	5,000,000	7.492	7.540	TSY10YR	5.94	160	101.00000	9.97	6.77	120-120
D	BBB/BBB	13.00	6,500,000	7.810	7.889	TSY10YR	5.94	195	100.83000	9.97	6.66	120-120
E	BBB-/BBB-	11.50	1,500,000	7.810	8.690	TSY10YR	5.94	275	95.60614	9.97	6.55	120-120
F	BB/BB	6.75	4,750,000	7.810	11.690	TSY10YR	5.94	575	78.97802	9.97	6.11	120-121
G	B/B-	3.50	3,250,000	6.000	10.366	TSY10YR	5.94	443	61.39484	10.47	6.31	121-131
H	B-	3.00	500,000	6.000	1.883	TSY10YR	5.94	-406	53.45216		4.73	0-0
NR	UNR		3,000,000	6.000	5.781	TSY10YR	5.94	-16	35.36703		3.45	0-0
X	AAA		100,000,000	0.650	9.626	TSY10YR	5.94	369	4.17508	5.21	3.72	0-0

Table A4

Balloon default scenario, 0% CPR

Class	Rating	Sub	Balance	Coupon	Pricing Yield				Clean	Mod		Prin
					Yield	Bench	Index	Spread	Price	WAL	Dur	Window
A1	AAA/AAA	29.50	22,000,000	6.855	6.797	TSY5YR	5.82	98	100.50000	6.50	4.89	1-120
A2	AAA/AAA	29.50	48,500,000	7.244	7.169	TSY10YR	5.94	123	101.00000	9.97	6.89	120-120
B	AA/AA	24.50	5,000,000	7.266	7.310	TSY10YR	5.94	137	101.00000	9.97	6.84	120-120
C	A/A	19.50	5,000,000	7.492	7.540	TSY10YR	5.94	160	101.00000	9.97	6.77	120-120
D	BBB/BBB	13.00	6,500,000	7.810	7.890	TSY10YR	5.94	195	100.83000	10.10	6.72	120-131
E	BBB-/BBB-	11.50	1,500,000	7.810	8.654	TSY10YR	5.94	271	95.60614	10.89	6.92	131-131
F	BB/BB	6.75	4,750,000	7.810	11.497	TSY10YR	5.94	556	78.97802	10.89	6.44	131-131
G	B/B-	3.50	3,250,000	6.000	10.141	TSY10YR	5.94	420	61.39484	10.89	6.43	131-131
H	B-	3.00	500,000	6.000	3.787	TSY10YR	5.94	-220	53.45216		5.01	0-0
NR	UNR		3,000,000	6.000	12.834	TSY10YR	5.94	689	35.36703		4.02	0-0
X	AAA		100,000,000	0.650	10.692	TSY10YR	5.94	475	4.17508	5.60	3.79	0-0

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Bond Data

Tranches	Rating	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)		5/25/99	Pricing	Factor	5/25/99	Pricing	Chg.	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	Int. Shortfall
A1	AAA/AAA	WAC	36,566	84,195	0.434	45.6%	33.0%	12.6%	100-05+	100-02	120	80	0.54	5.19	0
A1X	AAA/AAA	Fixed	36,566	84,195	0.434	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
A2	AAA/AAA	WAC	31,155	31,155	1.000	45.6%	33.0%	12.6%	100-29	98-16	135	90	1.52	8.52	0
A2X	AAA/AAA	Fixed	31,155	31,155	1.000	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
B	AA/AA	WAC	10,329	10,329	1.000	37.3%	27.0%	10.3%	101-12	98-21	145	110	2.40	8.99	0
C	A/A-	WAC	12,051	12,051	1.000	27.7%	20.0%	7.6%	101-17	98-17	165	130	2.67	9.07	0
D	BBB/BBB	WAC	6,886	6,886	1.000	22.1%	16.0%	6.1%	101-06+	98-25	230	170	3.02	9.07	0
DX	BBB/BBB	WAC	29,266	29,266	1.000	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
E	BB+NR	WAC	7,747	7,747	1.000	15.9%	11.5%	4.4%	102-09+	87-19	280	460	3.43	9.07	0
F	BB/NR	WAC	7,747	7,747	1.000	9.7%	7.0%	2.7%	N/A	N/A	N/A	N/A	N/A	N/A	0
G	B/NR	WAC	6,886	6,886	1.000	4.2%	3.0%	1.1%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR/NR	WAC	5,169	5,169	1.000	0.0%	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
Total			124,535	172,165	0.723										0

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	1 month	3 months	6 months	Life
25	36	9.240	9.199	62.2	64.5	1.55	1.42	0.0%	15.1%	13.1%	6.9%
% Multi		% Retail		% Other							
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing						
26.3	22.0	59.9	50.6	13.8	27.4						

Monthly Performance

Pricing	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin			
													172,164,634						
12/25/1998	0	0	0	0	0	0	0	0	0	0	0	0	130,558,238	3,831,675	76,660	166,530	164,775,431	2.85%	29.3%
1/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	130,398,407	0	0	159,831	164,615,599	0.00%	0.0%
2/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	130,236,134	7	0	162,273	164,453,326	0.00%	0.0%
3/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	124,859,249	5,205,022	104,158	171,862	164,281,463	4.00%	38.7%
4/25/1999	1	12,907	10.4	0	0	0	0	0	0	0	0	0	124,699,624	0	0	159,625	164,121,838	0.00%	0.0%
5/25/1999	1	12,922	10.4	0	0	0	0	0	0	0	0	0	124,535,497	0	0	164,126	163,957,712	0.00%	0.0%
Since Issuance													124,535,497	39,422,214	1,481,066	8,048,489	163,957,712	24.02%	6.9%

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June 15, 1999

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**JP Morgan Commercial Finance Corp.
Series 1996-C2**

Bond Data

Tranches	Rating (S/F)	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative Int. Shortfall
			5/25/99	Pricing	Factor	5/25/99	Pricing	Chg.	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	
A	AAA/AAA	Fixed	117,202	207,161	0.566	45.4%	32.0%	13.4%	99-27+	100-23	95	90	4.21	6.51	0
AX	AAA/AAA	WAC	117,202	207,161	0.566	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
B	AA/AA+	Fixed	16,755	16,755	1.000	37.6%	26.5%	11.1%	99-18	101-6	130	105	6.39	9.74	0
C	A/A+	Fixed	16,755	16,755	1.000	29.8%	21.0%	8.8%	99-31+	101-7	142	125	6.39	9.74	0
D	BBB/BBB	Fixed	16,755	16,755	1.000	22.0%	15.5%	6.5%	98-27+	99-28	195	175	6.39	9.74	0
DX	NR/AA+	WAC	50,265	50,265	1.000	NA	NA	NA	N/A	N/A	N/A	N/A	N/A	N/A	0
E	BB/BB	WAC	25,134	25,134	1.000	10.3%	7.3%	3.0%	101-14+	87-22	280	525	6.47	9.81	0
F	B+/BB	WAC	2,284	2,284	1.000	9.2%	6.5%	2.7%	91-12	N/A	500	N/A	6.49	N/A	0
G	NR/B	WAC	10,662	10,662	1.000	4.3%	3.0%	1.3%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR	WAC	9,144	9,143	1.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.4
Total			214,691	304,649	0.705										2.4

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	1 month	3 months	6 months	Life
60	91	8.739	8.924	63.6	65.0	1.81	1.75	72.23%	34.75%	19.23%	9.03%
% Multi		% Retail		Other							
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing						
42.6	41.9	23.9	19.4	33.5	38.7						

Monthly Performance

	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding Balance	UnSched Prin	Prepay Premiums	Sched Prin	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%							
Pricing													304,649,000						
12/25/1998	0	0	0	0	0	0	1	7,736	3.22	0	0	0	240,496,906	0	0	323,303	293,765,375	0.00%	0.0%
1/25/1999	0	0	0	0	0	0	1	7,736	3.22	0	0	0	240,177,816	0	0	319,090	293,446,285	0.00%	0.0%
2/25/1999	0	0	0	0	0	0	1	7,622	3.22	0	0	0	239,856,343	0	0	321,472	293,124,812	0.00%	0.0%
3/25/1999	0	0	0	0	0	0	1	7,605	3.18	0	0	0	239,512,628	0	0	343,715	292,781,097	0.00%	0.0%
4/25/1999	0	0	0	0	0	0	1	7,588	3.17	0	0	0	239,186,170	0	0	326,458	292,454,639	0.00%	0.0%
5/25/1999	0	0	0	0	0	0	1	7,571	3.53	0	0	0	214,690,704	24,187,176	725,615	308,290	292,146,349	10.13%	72.2%
Since Issuance													214,690,704	77,324,769	3,073,736	12,502,651	292,146,349		9.03%

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**JP Morgan Commercial Finance Corp.
Series 1996-C3**

Bond Data

Tranches	Rating	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)		5/25/99	Pricing	Factor	5/25/99	Pricing	Chg.	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	Int. Shortfall
A1	AAA/AAA	Fixed	116,876	160,000	0.730	35.9%	32.0%	3.9%	101-23	98-18	130	80	4.56	6.87	0
A1X	AAA/AAA	WAC	116,876	160,000	0.730	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
A2	AAA/AAA	Fixed	112,636	112,636	1.000	35.9%	32.0%	3.9%	102-07+	97-22	132	78	6.64	9.57	0
A2X	AAA/AAA	WAC	112,636	112,636	1.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
B	AA/AA	WAC	24,056	24,056	1.000	29.1%	26.0%	3.1%	104-27	101-5	154	100	6.71	9.65	0
BCX	NR/AA	Fixed	50,116	50,116	1.000	NA	N/A	NA	N/A	N/A	N/A	N/A	N/A	N/A	0
C	A-/A	WAC	26,060	26,060	1.000	21.9%	19.5%	2.4%	105-01	101-5	166	115	6.81	9.74	0
D	BBB/BBB	WAC	14,032	14,032	1.000	17.9%	16.0%	1.9%	103-25+	99-19	200	150	6.84	9.77	0
E	BBB-/BBB-	WAC	8,018	8,018	1.000	15.7%	14.0%	1.7%	99-13+	95-16	285	215	6.89	9.83	0
F	BB/BB	WAC	26,060	26,060	1.000	8.4%	7.5%	0.9%	N/A	N/A	N/A	N/A	N/A	N/A	0
G	B/B-	WAC	18,042	18,042	1.000	3.4%	3.0%	0.4%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR/NR	WAC	12,032	12,032	1.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37.8
Total			357,812	400,936	0.892										37.8

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing	1 month	3 months	6 months	Life
124		8.343	8.452	66.0	68.3	1.78	1.54	54.5%	25.8%	13.9%	2.5%
% Multi		% Retail		% Other							
5/25/99	Pricing	5/25/99	Pricing	5/25/99	Pricing						
40.2	37.2	30.4	28.1	29.4	34.7						

Monthly Performance

Pricing	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin			
12/25/1998	0	0	0	0	0	0	0	0	0	0	0	0	387,917,183	0	0	482,675	387,917,183	0.0%	0.0%
1/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	387,437,748	0	0	479,435	387,437,748	0.0%	0.0%
2/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	386,954,929	0	0	482,819	386,954,929	0.0%	0.0%
3/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	383,035,975	3,419,485	102,783	499,469	386,455,460	0.9%	10.1%
4/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	382,552,876	0	0	483,099	385,972,362	0.0%	0.0%
5/25/1999	0	0	0	0	0	0	0	0	0	0	0	0	357,811,833	24,275,224	728,257	465,819	385,506,543	6.4%	54.5%
Since Issuance													357,811,833	27,694,710	831,040	15,569,447	385,506,543	7.2%	2.5%

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**JP Morgan Commercial Finance Corp.
Series 1997-C4**

Bond Data

Tranches	Rating		Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)	Type	05/25/99	Pricing	Factor	05/25/99	Pricing	Chg.	05/25/99	Pricing	05/25/99	Pricing	05/25/99	Pricing	Int. Shortfall
A1	AAA/AAA	Fixed	5,821	40,000	0.146	34.4%	31.5%	2.9%	100-6	100-08	99	52	0.56	3.50	0
A2	AAA/AAA	Fixed	100,124	100,124	1.000	34.4%	31.5%	2.9%	102-21+	100-16	117	68	5.85	8.18	0
A3	AAA/AAA	Fixed	138,659	138,659	1.000	34.4%	31.5%	2.9%	103-25+	101-31	127	66	7.13	9.45	0
B	AA/AA	WAC	24,419	24,419	1.000	27.8%	25.5%	2.3%	103-01+	100-24	141	83	7.43	9.75	0
C	A/A	WAC	22,384	22,384	1.000	21.8%	20.0%	1.8%	102-19	100-24	159	93	7.48	9.80	0
D	BBB/BBB	WAC	20,349	20,349	1.000	16.4%	15.0%	1.4%	100-10+	100-00	205	110	7.48	9.80	0
E	BBB-/BBB-	WAC	6,104	6,104	1.000	14.7%	13.5%	1.2%	97-20	99-32	290	145	7.48	9.80	0
F	BB/BB	WAC	26,454	26,454	1.000	7.6%	7.0%	0.6%	80-14+	83-26	525	340	9.37	11.70	0
G	B/B-	WAC	16,279	16,279	1.000	3.3%	3.0%	0.3%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR	WAC	12,213	12,213	1.000	0.0%	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	1.60
X	AAA/NR	WAC	372,806	406,985	0.916	N/A	N/A	N/A	5-26	N/A	850	N/A	7.02	N/A	0
Total			372,806	406,985	0.916										1.60

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
05/25/99	Pricing	05/25/99	Pricing	05/25/99	Pricing	05/25/99	Pricing	1 month	3 months	6 months	Life
106	127	8.844	8.900	63.5	65.1	1.74	1.83	49.9%	20.6%	10.9%	2.5%
% Multi		% Retail		% Other							
05/25/99	Pricing	05/25/99	Pricing	05/25/99	Pricing						
37.5	35.2	34.7	32.7	27.8	32.1						

Monthly Performance

Pricing	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin			
12/25/98	0	0	0	0	0	0	0	0	0	0	0	0	406,985,353	0	0	472,211	397,312,891	0.00%	0.0%
01/25/99	0	0	0	0	0	0	0	0	0	0	0	0	397,312,891	0	0	469,669	396,843,222	0.00%	0.0%
02/25/99	0	0	0	0	0	0	0	0	0	0	0	0	396,843,222	0	0	473,168	396,370,054	0.00%	0.0%
03/25/99	0	0	0	0	0	0	0	0	0	0	0	0	396,370,054	0	0	494,843	395,875,211	0.00%	0.0%
04/25/99	0	0	0	0	0	0	0	0	0	0	0	0	395,875,211	0	0	480,399	395,394,813	0.00%	0.0%
05/25/99	1	1,086.70	29%	0	0	0	0	0	0	0	0	0	372,806,475	22,123,207	663,696	465,131	394,929,682	5.60%	49.9%
Since Issuance													372,806,475	22,123,207	663,696	12,055,671	394,929,682	5.60%	2.5%

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JPMorgan

**JP Morgan Commercial Finance Corp.
Series 1997-C5**

Bond Data

Tranches	Rating	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)		05/15/99	Pricing	Factor	05/15/99	Pricing	Chg.	05/15/99	Pricing	05/15/99	Pricing	05/15/99	Pricing	Int. Shortfall
A-1	AAA/AAA	Fixed	103,643	134,387	0.771	29.4%	28.5%	0.9%	101-03+	101-16	97	42	2.33	3.50	0
A-2	AAA/AAA	Fixed	305,885	305,885	1.000	29.4%	28.5%	0.9%	102-00	101-16	110	64	5.94	7.74	0
A-3	AAA/AAA	Fixed	298,856	298,856	1.000	29.4%	28.5%	0.9%	101-29+	101-16	122	65	7.92	9.60	0
X	AAA/AAA	WAC	1,003,004	1,033,748	0.970	N/A	N/A	N/A	N/A	9-15	N/A	225	N/A	5.77	0
B	AA/AA	Fixed	51,687	51,687	1.000	24.2%	23.5%	0.7%	101-12	101-16	139	73	8.34	10.06	0
C	A/A	Fixed	56,856	56,856	1.000	18.6%	18.0%	0.6%	100-21+	101-16	159	81	9.80	11.52	0
D	BBB/BBB	Fixed	56,856	56,856	1.000	12.9%	12.5%	0.4%	96-26+	101-16	225	92	10.65	12.35	0
E	BBB-/BBB-	Fixed	15,506	15,506	1.000	11.3%	11.0%	0.3%	91-15	101-16	320	118	12.60	14.28	0
F	BB/BB	Fixed	51,688	51,688	1.000	6.2%	6.0%	0.2%	75-00	94-6	565	200	12.90	14.62	0
G	B/B-	Fixed	36,180	36,180	1.000	2.6%	2.5%	0.1%	N/A	N/A	N/A	N/A	N/A	N/A	0
H	B-	Fixed	5,168	5,168	1.000	2.1%	2.0%	0.1%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR	Fixed	20,679	20,679	1.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16.4
Total			1,003,004	1,033,748	0.970										16.4

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	1 month	3 months	6 months	Life
267	269	8.770	8.778	N/A	67.4	1.65	1.39	0.0%	0.0%	0.0%	0.46%
% Multi		% Retail		% Other							
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing						
26.2	25.9	31.3	30.7	42.5	43.4						

Monthly Performance

	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin			
Pricing													1,033,747,782						
10/15/1997	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	1,032,694,196	0	0	1,053,586	1,032,694,196	0.00%	0.0%
12/15/98	4	10,969	1.09	0	0	0	1	1,813	0.18	0	0	0	1,008,961,846	0	0	1,165,668	1,016,772,261	0.00%	0.0%
01/15/99	2	3,814	0.38	0	0	0	1	1,811	0.18	0	0	0	1,007,878,550	0	0	1,083,296	1,015,688,965	0.00%	0.0%
02/15/99	4	7,320	0.73	1	1,581	0.16	1	1,809	0.18	0	0	0	1,006,604,652	0	0	1,273,898	1,014,415,067	0.00%	0.0%
03/15/99	2	3,881	0.39	3	5,951	0.59	1	1,087	0.18	0	0	0	1,005,413,088	0	0	1,191,563	1,013,223,503	0.00%	0.0%
04/15/99	1	2,218	0.22	0	0	0	2	3,779	0.38	0	0	0	1,004,212,795	0	0	1,200,293	1,012,023,210	0.00%	0.0%
05/15/99	2	3,963	0.40	0	0	0	2	3,770	0.38	0	0	0	1,003,003,709	0	0	1,209,086	1,010,814,124	0.00%	0.0%
Since Issuance													1,003,003,709	7,810,415	2,247,322	22,933,658	1,010,814,124	0.77%	0.46%

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**JP Morgan Commercial Finance Corp.
Series 1998-C6**

Bond Data

Tranches	Rating	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)		5/15/99	Pricing	Factor	5/15/99	Pricing	Chg.	5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	Int. Shortfall
A1	AAA/AAA	Fixed	86,870	99,233	0.875	29.5%	29.0%	0.5%	99-30	100-16	95	59	3.18	3.91	0
A2	AAA/AAA	Fixed	220,367	220,367	1.000	29.5%	29.0%	0.5%	99-14	100-24	109	74	6.28	7.51	0
A3	AAA/AAA	Fixed	245,853	245,853	1.000	29.5%	29.0%	0.5%	99-05	101-00	119	79	8.46	9.69	0
B	AA/AA	Fixed	47,784	47,784	1.000	23.4%	23.0%	0.4%	98-26	101-00	136	92	8.94	10.17	0
C	A/A	Fixed	39,820	39,820	1.000	18.3%	18.0%	0.3%	98-15	101-00	154	108	10.09	11.32	0
D	BBB/BBB	Fixed	47,784	47,784	1.000	12.2%	12.0%	0.2%	95-17+	99-10	205	140	10.53	11.76	0
E	BBB-/BBB-	Fixed	15,928	15,928	1.000	10.2%	10.0%	0.2%	88-13+	95-22	295	170	10.62	11.85	0
F	BB/BB	Fixed	39,820	39,820	1.000	5.1%	5.0%	0.1%	N/A	N/A	N/A	N/A	N/A	N/A	0
G	B/B	Fixed	19,910	19,910	1.000	2.5%	2.5%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
H	B-/B-	Fixed	5,973	5,973	1.000	1.8%	1.8%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
N	NR/NR	Fixed	13,942	13,942	1.000	0.0%	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	4.1
X	AAA/AAA	WAC	784,051	794,414	0.987	N/A	N/A	N/A	5-29+	7-01	535	310	8.13	5.75	0
Total			784,051	796,414	0.984										4.1

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	1 month	3 months	6 months	Life
91	91	7.785	7.790	N/A	65.9	1.69	1.54	0.0%	0.0%	0.0%	0.0%
% Multi		% Retail		% Other							
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing						
23.3	23.4	18.3	18.3	58.4	58.4						

Monthly Performance

	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin			
Pricing	796,414,011																		
12/15/1998	0	0	0	0	0	0	0	0	0	0	0	0	788,595,536	0	0	891,635	788,595,536	0.00%	0.0%
1/15/1999	0	0	0	0	0	0	0	0	0	0	0	0	787,698,109	0	0	897,427	787,698,109	0.00%	0.0%
2/15/1999	0	0	0	0	0	0	0	0	0	0	0	0	786,795,396	0	0	902,713	786,795,396	0.00%	0.0%
3/15/1999	0	0	0	0	0	0	0	0	0	0	0	0	785,886,417	0	0	908,979	785,886,417	0.00%	0.0%
4/15/1999	0	0	0	0	0	0	0	0	0	0	0	0	784,971,514	0	0	914,903	784,971,514	0.00%	0.0%
5/15/1999	0	0	0	0	0	0	0	0	0	0	0	0	784,050,647	0	0	920,867	784,050,647	0.00%	0.0%
Since Issuance													784,050,647	0	0	12,363,364	784,050,647	0.0%	0.0%

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**JP Morgan Commercial Finance Corp.
Series 1998-C7**

Bond Data

Tranches	Rating	Type	Class Size (000\$)			% Subordination			Dollar Price		Spread		Avg. Life		Cumulative
	(S/F)		05/15/99	Pricing	Factor	05/15/99	Pricing	Chg.	05/15/99	Pricing	05/15/99	Pricing	05/15/99	Pricing	Int. Shortfall
A-1	AAA/AAA	Fixed	207,137	208,000	0.996	29.5%	29.5%	0.0%	98-15+	100-16	97	99	5.41	5.48	0
A-2	AAA/AAA	Fixed	356,953	356,953	1.000	29.5%	29.5%	0.0%	98-16+	100-00	117	123	9.06	9.18	0
X	AAA/AAA _r	WAC	800,489	801,352	0.999				4-04+	4 5/64	395	499	N/A	N/A	0
B	AA/AA	Fixed	40,067	40,067	1.000	24.5%	24.5%	0.0%	98-14	101-00	133	137	9.34	9.46	0
C	A+/A	WAC	40,067	40,067	1.000	19.5%	19.5%	0.0%	98-10	101-00	150	152	9.37	9.48	0
D	BBB/BBB	WAC	52,087	52,087	1.000	13.0%	13.0%	0.0%	97-19	98-22	200	225	9.54	9.65	0
E	BBB-/BBB-	WAC	12,020	12,020	1.000	11.5%	11.5%	0.0%	91-28	92-28	290	315	9.70	9.81	0
F	BB/BB	Fixed	38,064	38,064	1.000	6.8%	6.8%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
G	B/B	Fixed	26,043	26,043	1.000	3.5%	3.5%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
H	B-/B-	Fixed	4,006	4,006	1.000	3.0%	3.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0
NR	NR	Fixed	24,045	24,045	1.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0
Total			800,489	801,352	0.999										0.0

Collateral Data

# of Loans		WAC		LTV		DSCR		Speeds			
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing	1 month	3 months	6 months	Life
145	145	7.221	7.22	69.9	69.9	1.41	1.41	0.0%	0.0%	0.0%	0.0%
% Multi		% Retail		% Other							
5/15/99	Pricing	5/15/99	Pricing	5/15/99	Pricing						
32.1	32.1	22.0	22.0	45.9	45.9						

Monthly Performance

	30 Day Delinquency			60 Day Delinquency			90 Day Delinquency			Bankruptcy/Foreclosure			Outstanding	UnSched	Prepay	Sched	Sched Bal	SMM	CPR	
	#	Balance	%	#	Balance	%	#	Balance	%	#	Balance	%	Balance	Prin	Premiums	Prin				
Pricing													801,352,036							
10/15/1997	0	0	0	0	0	0	0	0	0	0	0	0	1,032,694,196	0	0	1,053,586	1,032,694,196	0.00%	0.0%	
05/15/99	0	0	0	0	0	0	0	0	0	0	0	0	800,488,903	0	0	863,133	800,488,903	0.00%	0.0%	
Since Issuance													800,488,903	-	-	863,133	800,488,903	0.00%	0.00%	

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Stress and defaults in CMBS Deals:
Theory and Evidence

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