The Forced-Seller Map

How a lender's balance sheet could predict who sells — and where the pressure sits in 2026

Michael T. Bernstein · Moss Brick Management · Research Note No. 1 · Q1 2026 data · a quarterly series

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THE SHORT VERSION

Most people look for motivated sellers by reading the seller. We read the **bank**.

An owner sells when they *choose* to — or when their lender leaves them no choice. In 2026, with rates higher for longer and a wall of loans maturing into them, the second kind is multiplying. And you can see it coming, because a bank that is over-concentrated in one asset class is a bank whose examiners, auditors, and regulators are already pushing it to shrink that exposure. When the loan comes due, the concentrated lender doesn't renew on yesterday's terms. The borrower refinances into a gap, brings fresh equity, or sells.

This note maps where that pressure sits. It is built the way we underwrite: from the raw data — the quarterly call report every FDIC-insured bank must file — across **over 4,250 banks and 89 quarters** (2004 through Q1 2026), with the statistics shown, the thresholds taken from the regulators' own guidance, and the limits stated. It is not a list of failing banks. Concentration is not insolvency, and Section 6 tests that claim rather than asserting it. This is a map of where the *next* motivated sellers are most likely to surface — and, new in this edition, a measure of *when*: the credit data has turned, and the most concentrated lenders are already cutting.

Seven findings:

1. **The exposure is radically concentrated.** Of roughly **$668 billion** in bank-held multifamily loans, the top 1% of banks hold **58%** and the top 10% hold **90%** (Gini coefficient **0.93**[1]). Only **29 banks** carry multifamily above 30% of assets — together **$50.2B**, or 7.5% of the total. This is not a systemic story. It's a *targetable* one (Exhibits 1–3).

2. **The typical bank is not the story; the tail is.** The median bank ($100M+) holds just **2.0%** of assets in multifamily. The 99th percentile holds **26.7%** — thirteen times as much. The risk is not distributed; it is stacked on a handful of balance sheets, which is what makes it findable (Exhibit 2).

3. **Two regions run two entirely different risks.** The Sun Belt is not where the apartment *loans* are — it is where the apartment *construction* is. Sun Belt banks average **6.7%** of assets in construction against just **1.9%** in multifamily. The Northeast is the mirror image: **6.8%** multifamily against **3.6%** construction. Both gaps are statistically unambiguous[2] (Exhibits 4–6).

4. **The regulators' own screen flags 478 banks.** Applying the federal 2006 Interagency thresholds[3] to Q1 2026 data: **292 banks** hold construction loans above 100% of risk-based capital, and **253** are above 300% CRE-to-capital *and* have grown CRE 50%+ in three years. **$432 billion** of CRE sits at flagged institutions — and **54% of the construction flags are Sun Belt banks**, the same split as finding 3, now in the regulator's own arithmetic (Exhibits 7–8).

5. **The credit turn is here, and it is concentrated.** The industry's multifamily noncurrent rate[4] hit **1.07%** — **9.5x** its 2019 low, but still only **23%** of its 2010 crisis peak. Inside the 29-bank pressure pool it is **4.2%** — and *that* is at crisis-era levels (Exhibits 9–10).

6. **These banks are concentrated, not sick — which is exactly why they make sellers.** Not one pressure-pool bank is near supervisory distress: median Texas ratio[5] **1.3** against an industry median of **3.1**, and better capitalized than the industry on both leverage and CET1. A failing bank gets seized and its book auctioned. A *healthy* concentrated bank quietly shrinks — one borrower conversation at a time (Exhibit 11).

7. **The pressure is already in motion. 14 of the 29** most concentrated banks *shrank* their multifamily books over the last year — **$7.4 billion** withdrawn, led by Flagstar's **$5.6B** cut. A shrinking concentrated lender is a lender telling its borrowers to find the exit.

1 · WHY A LENDER MAKES A SELLER

The mechanism is unglamorous, which is why it works. Since 2006, the federal banking agencies have jointly flagged commercial-real-estate *concentration* — not losses, concentration — as a supervisory concern, with numeric screens examiners still apply today. A bank whose CRE book is large relative to its capital draws heightened scrutiny: more frequent exams, pressure to raise capital, pressure to slow or shrink the book.

That pressure travels straight to the borrower. When a loan on a concentrated lender's books matures, the bank's cheapest move is not to renew at par. It's to require a paydown, a re-margining to today's rates, or an exit. **For a sponsor who bought at a 2021 basis on 2021 debt, that conversation ends one of three ways: new equity, a refinance somewhere else at a materially worse rate, or a sale. The third option is where we come in.**

None of this requires a bank to fail. It only requires a bank to be *concentrated* and a loan to *mature*. Both are observable in advance — and, as of this edition, so are the two ingredients that tell you the clock has started: whether the bank's book is *souring* (Section 5) and whether it is already *retreating* (Section 7).

2 · THE SHAPE OF THE EXPOSURE

Start with the whole distribution, not the average. Rank every U.S. bank by its multifamily book and plot the cumulative share: the curve hugs the floor and then goes vertical (Exhibit 1). The Gini coefficient is **0.93** — multifamily exposure is distributed across American banks about as unequally as anything in finance gets. **777 banks hold no multifamily at all**; the top 43 institutions hold more than half of all of it.

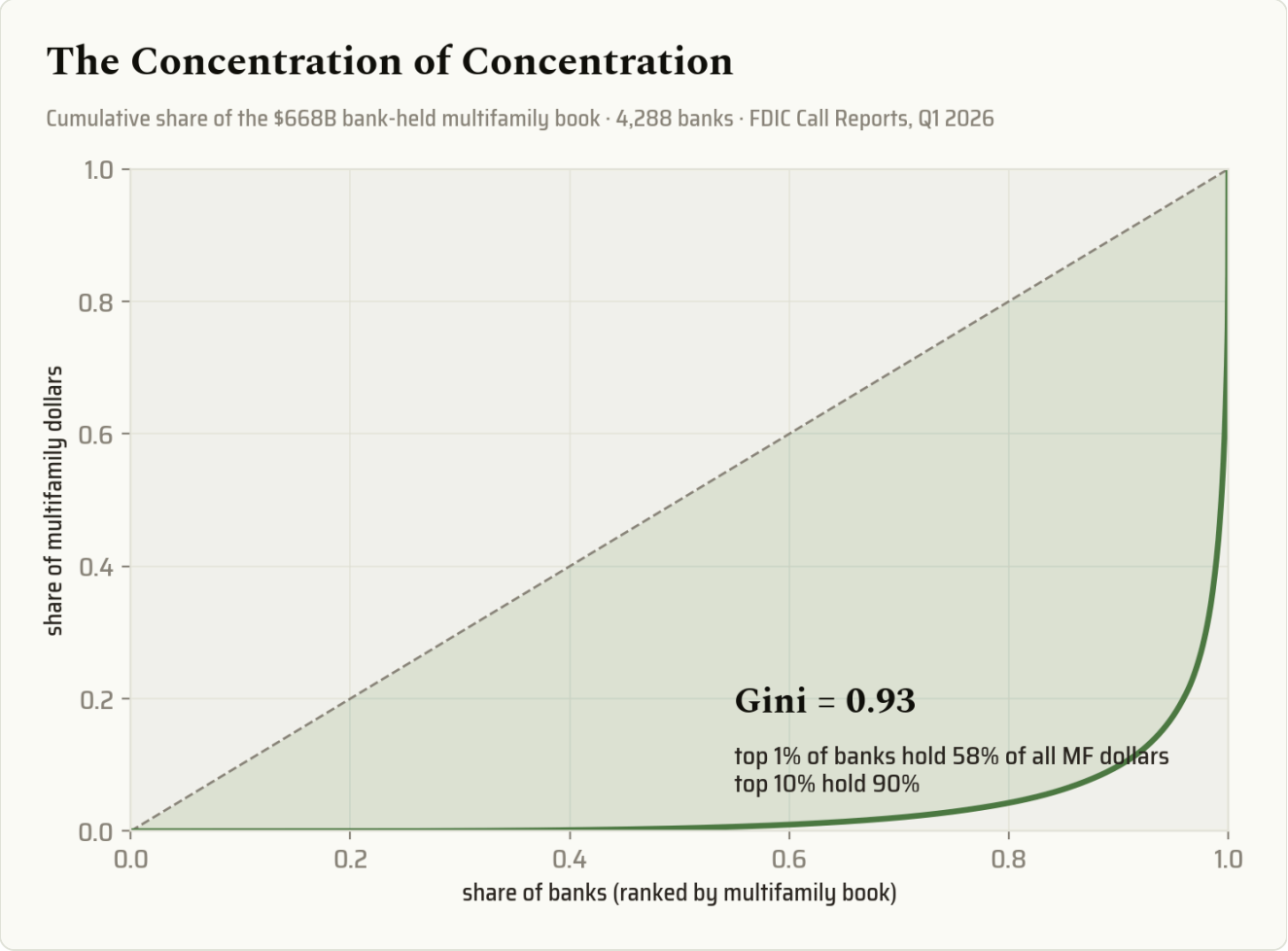

Exhibit 1 · Lorenz curve of the $668B bank-held multifamily book across 4,288 banks. The diagonal is what perfect equality would look like — every bank holding the same share. The green curve is reality: it runs along the floor for the first three-quarters of the industry, because most banks hold almost none, then turns almost straight up at the right edge, where a few hundred lenders hold nearly all of it. Gini = 0.93.

Two questions follow, and the 22-year panel answers both.

Is this new? No. We computed the same Gini for every quarter back to 2004: it has never left the **0.93–0.95** band, through the housing boom, the financial crisis, a decade of expansion, and the pandemic. Multifamily lending concentration is not a bubble artifact or a post-2021 distortion. It is the resting structure of the business. What changed in this cycle is not *who holds the risk* — it is what that risk is now worth.

Is it strange? Only against how the rest of American banking looks. The United States runs the most fragmented banking system in the developed world — roughly 4,300 insured banks, against 311 in the United Kingdom, 251 in Germany, 112 in Japan, and 81 in Canada. We have more banks than the other four combined, several times over. And yet inside that fragmentation, one asset class has quietly

consolidated onto a few hundred balance sheets. That is the real read: fragmentation at the charter level, hyper-concentration at the asset-class level. The apartment loan on your building is not spread across a diversified system. It is very likely sitting at a lender for whom apartments *are* the business.

Concentration *within* a balance sheet follows the same law. Among banks with at least $100M in assets, the **median** bank holds **2.0%** of assets in multifamily; the 90th percentile holds 8.2%; the 99th, **26.7%** (Exhibit 2). The distribution is approximately lognormal with a heavy tail ($\sigma = 1.19$)[6] —

> *a formal way of saying multifamily lending is a specialist business. Most banks dabble. A small set commit their balance sheet to it.*

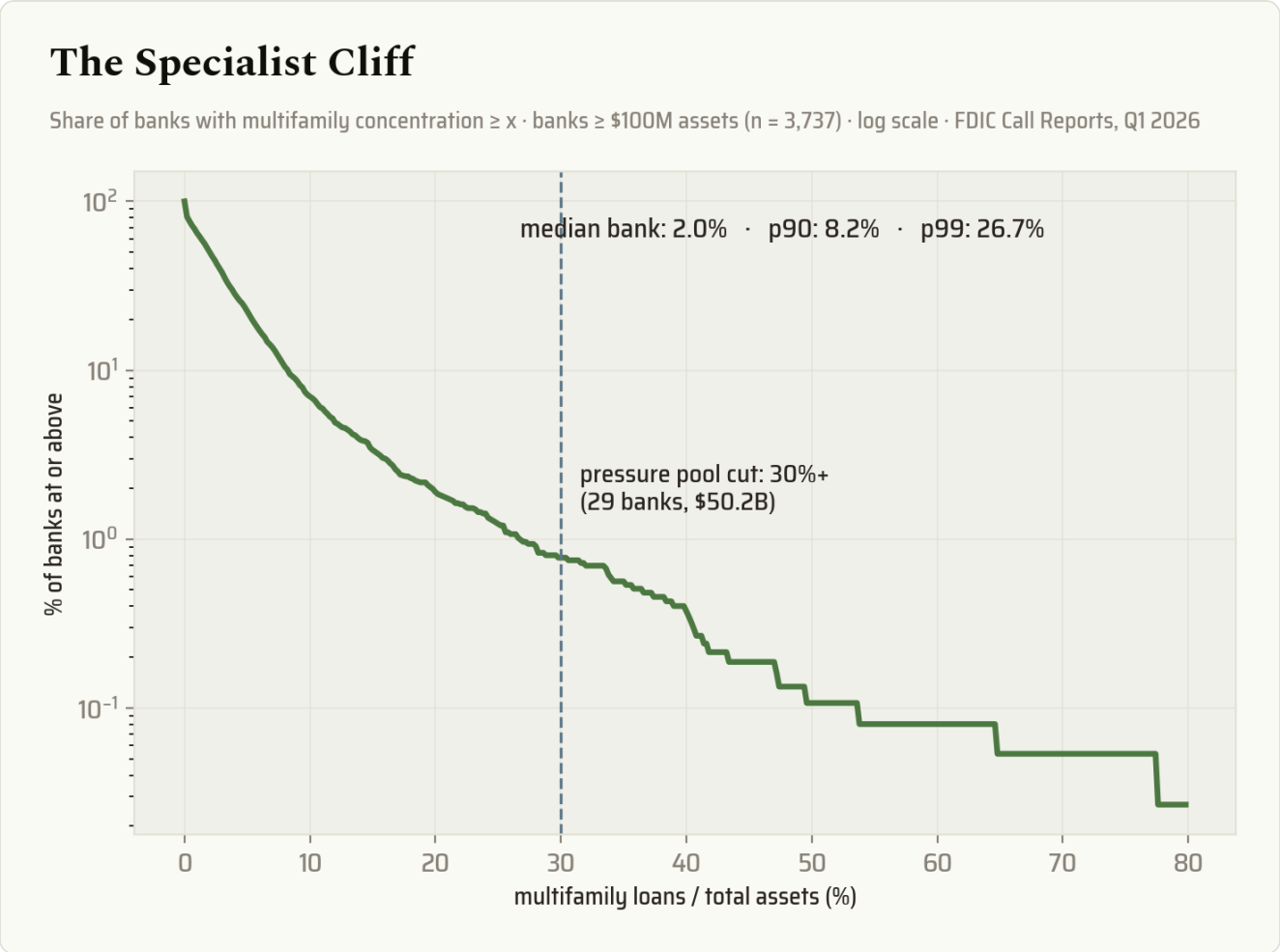

Exhibit 2 · Read this as "how rare is a bank this concentrated?" Start at any concentration on the bottom axis and read up: the curve gives the share of banks at or above it. The line falls off a cliff immediately — half of all banks are under 2% — and by the time you reach 30% you are in the top eight-tenths of one percent of the industry. That cliff is the point. There is no gentle gradient of moderately-committed apartment lenders; there is a broad shallow mass and then a thin spike of specialists.

That specialist set is the pressure pool[7]: **29 banks above 30% of assets, holding $50.2 billion of multifamily between them** — 7.5% of the national total. They are nameable, today (Exhibit 3). A **$1.4B California thrift (Malaga Bank) has 77% of its assets in multifamily.** Specialist savings banks across the Northeast — Northfield (Staten Island), Kearny and Spencer (New Jersey) — run 33–40%. And the giant of the category, **Flagstar** — the former New York Community Bancorp, whose multifamily book triggered the regional-bank scare of 2024 — still carries roughly **$27.9 billion**, about a third of its balance sheet and **56% of the entire pressure pool by dollars**.

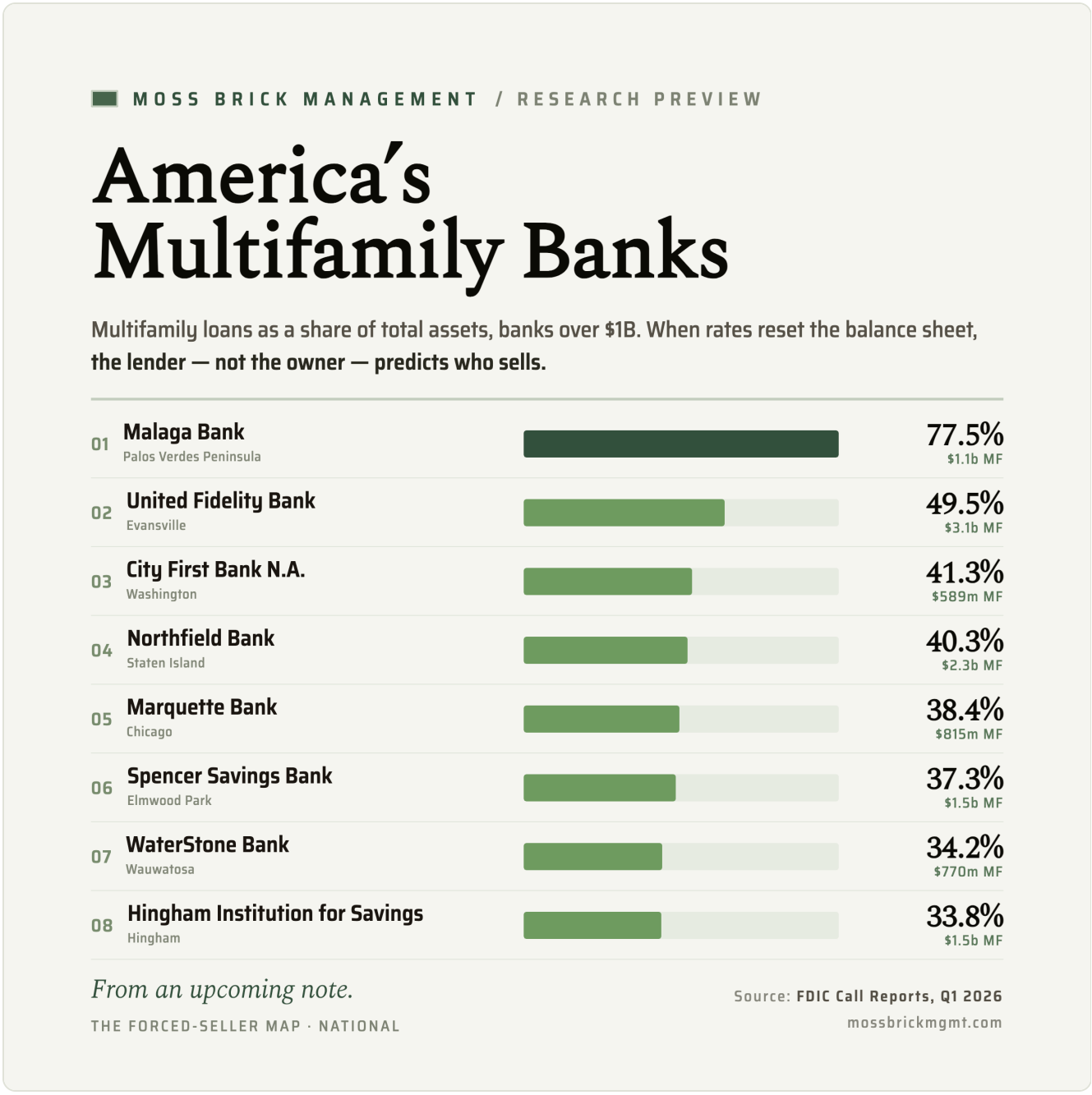

Exhibit 3 · America's Multifamily Banks — the most multifamily-concentrated U.S. banks over $1B in assets, Q1 2026.

For a buyer, the takeaway is not alarm. It's a relationship list.

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3 · TWO REGIONS, TWO RISKS — TESTED

Aggregate the country by region and a pattern appears that most CRE commentary misses (Exhibit 4). **In the Northeast, the typical bank carries nearly twice as much multifamily as construction — 6.8% of assets (95% CI: 6.1–7.5) against 3.6%. In the Sun Belt it is exactly inverted: construction runs 6.7% of assets (CI: 6.5–7.0) and multifamily just 1.9% (CI: 1.8–2.1).**

If you follow Sun Belt apartments, that 1.9% should look wrong. The Sun Belt is where the apartment supply went — where the cranes have been for four years and where the oversupply is. So why do its banks look empty of multifamily?

Because the permanent debt on Sun Belt apartments largely **isn't on community-bank books at all**. It sits with the agencies, debt funds, and CLOs. What a Sun Belt bank puts on its balance sheet is the **construction loan** — the riskiest, shortest-dated slice, on product that has to lease up into the most oversupplied apartment market in a generation. The Sun Belt bank isn't under-exposed to apartments. It is exposed at a different, earlier, more fragile point in the same asset's life.

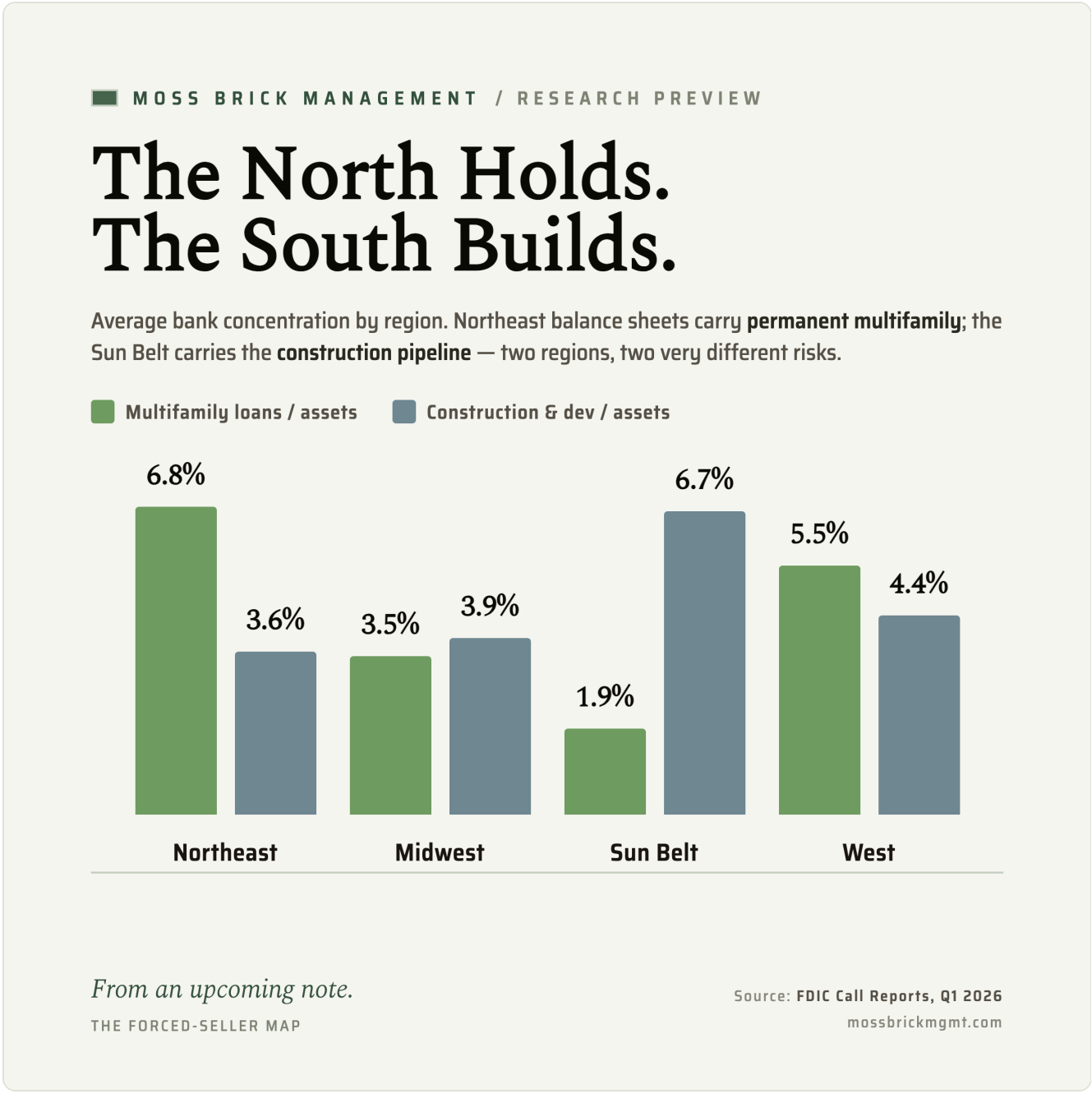

Exhibit 4 · Average bank concentration by region — multifamily vs. construction & development, as a share of assets.

Because averages can lie, Exhibit 5 shows the full distributions, and we test the gap formally. The Northeast–Sun Belt multifamily difference is **Welch $t = 12.8$, $p < 10^{-31}$, Cohen's $d = 1.1$**[2] — a full standard deviation between regional banking models, confirmed nonparametrically (Mann-Whitney $p < 10^{-53}$). The construction inversion is nearly as strong ($t = 11.7$, $d = 0.68$). These are not artifacts of a few outliers. They are two different regional banking businesses.

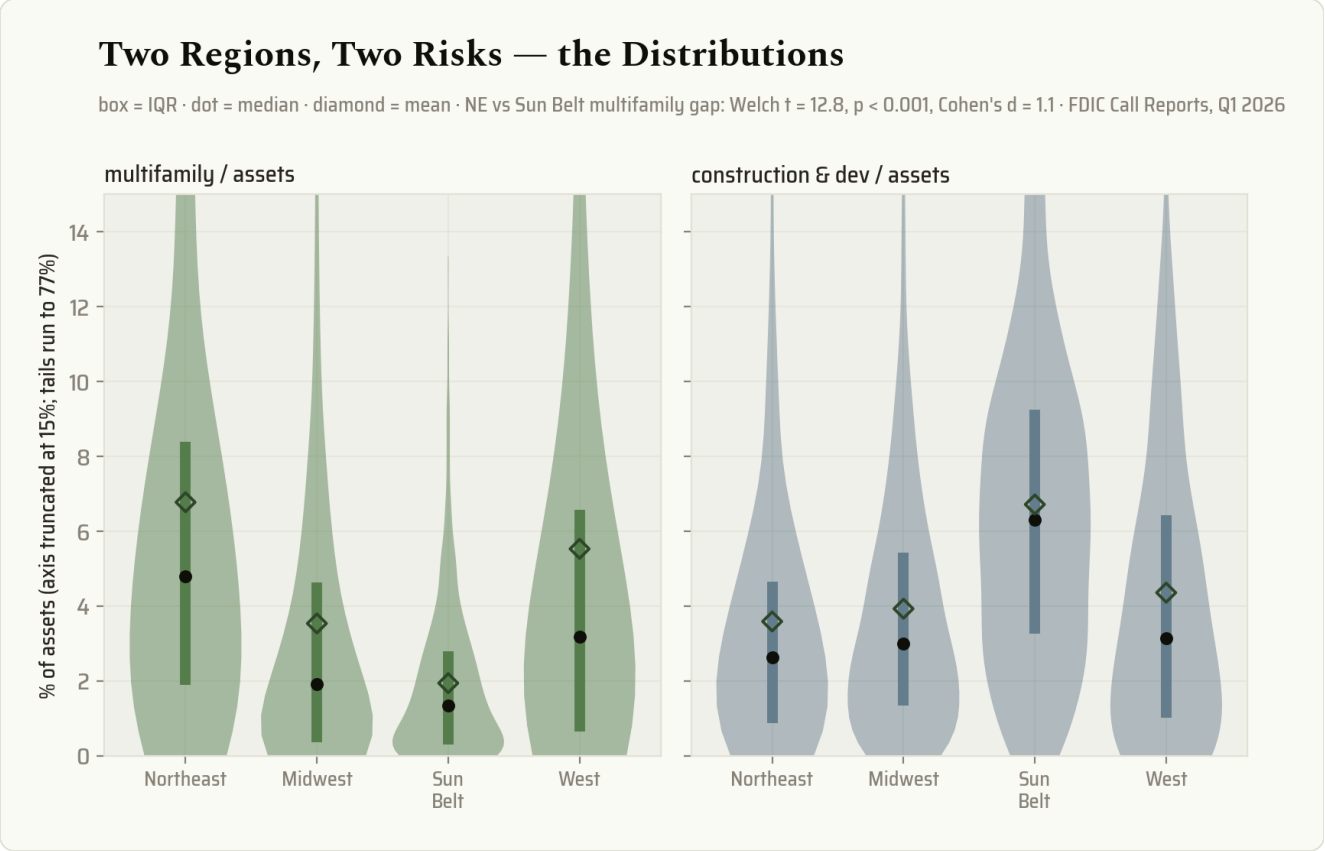

Exhibit 5 · Full concentration distributions by region. The gap survives medians, means, and nonparametric tests.

The structure runs deeper: banks *choose one*. Across all banks, multifamily and construction concentration are almost uncorrelated (Pearson r = 0.06; rank correlation 0.27) — the two specializations barely overlap on the same balance sheet (Exhibit 6). And while larger banks carry somewhat more multifamily in rank terms, the extreme specialists are small: **27 of the 29 pressure-pool banks are under $10B in assets** — community lenders, not money-centers. *We take up what that means for a buyer in Note No. 2 of this series; it is too large a thesis to bury here.*

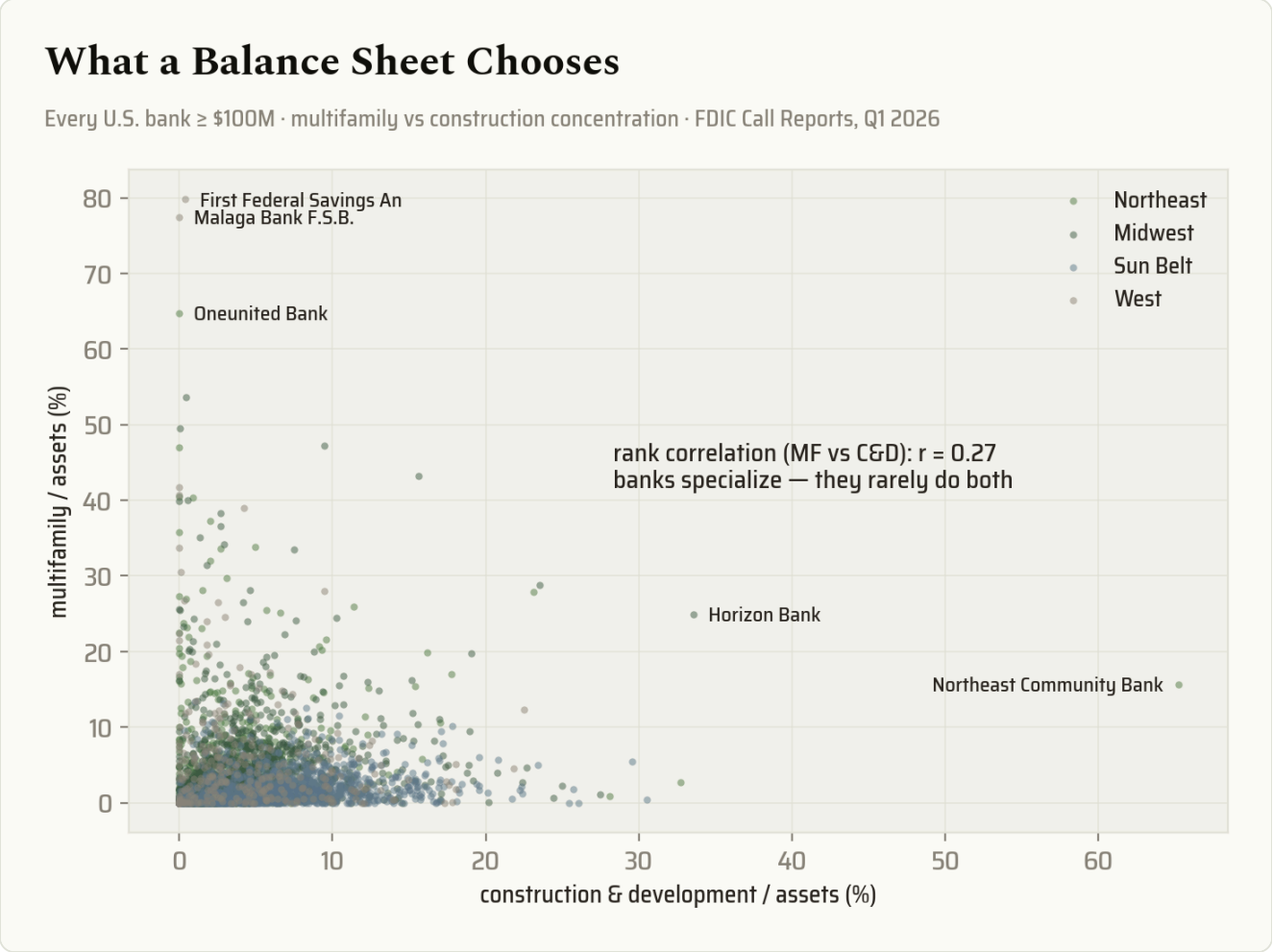

Exhibit 6 · Every bank ≥$100M plotted on both concentrations. Banks specialize in one risk or the other — rarely both.

So what does a buyer do with a regional split? Three things, and they are different things.

- **Buy the Northeast and Chicago off maturities.** Up here the bank owns the *permanent* loan on a stabilized building. Nothing forces a conversation except the maturity date — so the calendar is the signal, and the relationship you want is with the portfolio lender who has to decide whether to renew.
- **Buy the Sun Belt off lease-up, not maturity.** Down there the bank owns a *construction* loan with interest reserves that burn down and a hard completion date. The conversation starts when the reserve runs dry and the rents underwritten in 2022 don't show up — which is months before any maturity, and years before the asset stabilizes.
- **Price the two differently.** Northeast paper is a cash-flowing asset with a financing problem. Sun Belt construction paper is an unfinished asset with a business-plan problem. The first is a basis trade. The second is a completion trade, and it should carry a completion-risk discount.

The regional split isn't color. It tells you which of your two acquisition playbooks to run, and in which zip codes.

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4 · THE SUPERVISORY SCREEN

None of our thresholds need to be invented; the regulators published theirs in 2006 and still use them. The Interagency Guidance on CRE Concentrations[3] sets two screens: **construction & development loans ≥ 100% of total risk-based capital**, or **total CRE ≥ 300% of capital combined with 36-month CRE growth ≥ 50%**. We ran both against Q1 2026 capital data (Exhibit 7).

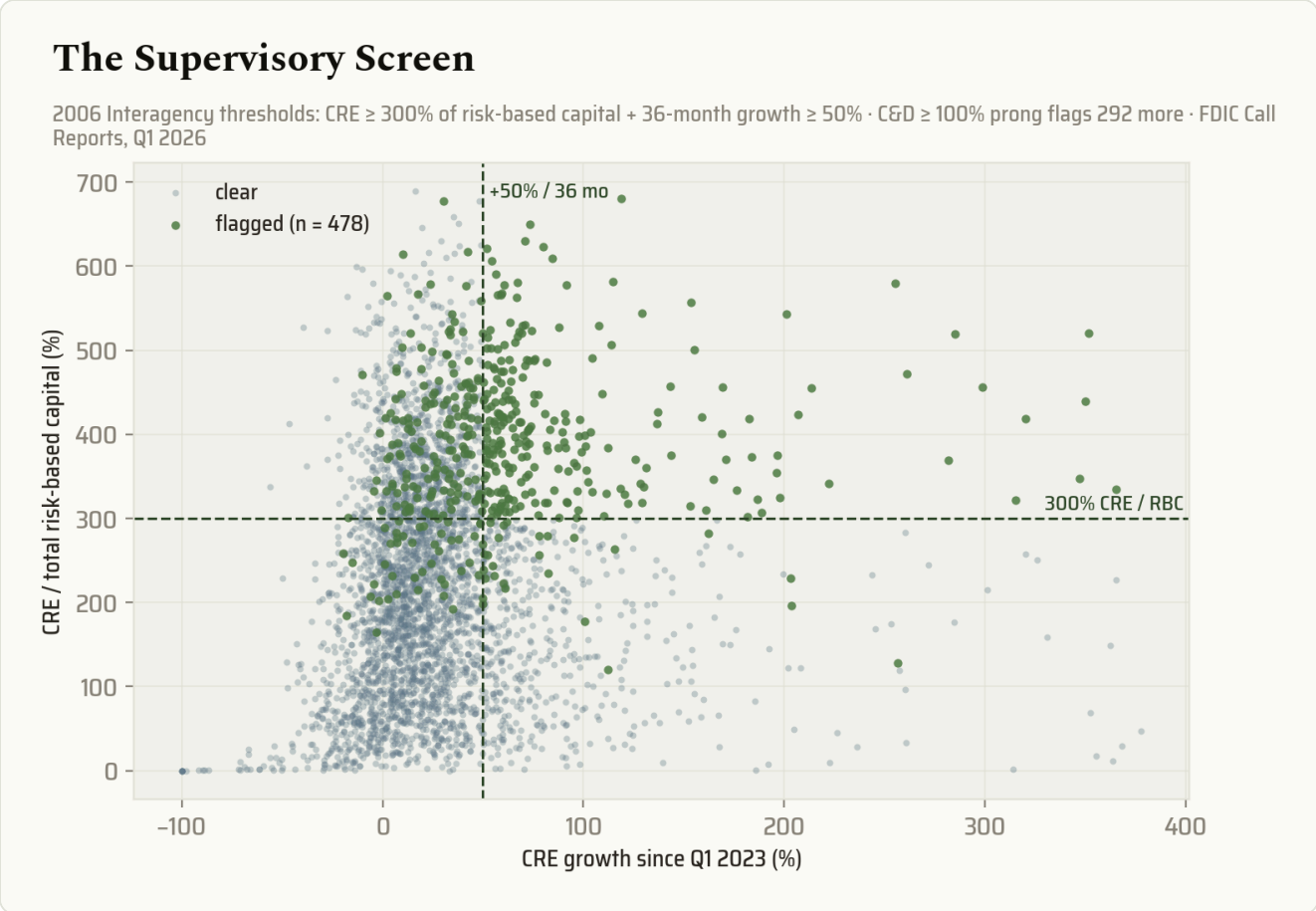

Exhibit 7 · Every bank plotted on the regulators' own axes: CRE-to-capital vs. 3-year CRE growth. Dashed lines are the 2006 Interagency thresholds.

The results, at a national scale:

SCREEN (2006 INTERAGENCY)	BANKS FLAGGED	NOTE
C&D loans ≥ 100% of risk-based capital	**292**	159 of them — 54% — are Sun Belt banks
CRE ≥ 300% of capital	1,235	exposure level alone, no growth test
CRE ≥ 300% *and* 36-mo growth ≥ 50%	**253**	the full second prong
Either prong	**478**	holding **$432B** of CRE

Two things stand out.

> *Roughly one in eight banks over $100M trips a federal concentration screen.*

That is the first. The second is the geography of the *construction* prong, which repeats Section 3 in the regulator's own arithmetic: **the Sun Belt supplies a majority of the C&D flags** (159 of 292; the Northeast supplies 11). The regional split isn't just descriptive — it decides which banks will be having supervisory conversations, about which loans, in which markets.

A word on that **$432 billion**, because it is the number most likely to be misread. It is not a distress figure and it is not an opportunity set. It is the CRE held by banks who have tripped a screen — the population from which supervisory conversations are drawn, most of which will end in nothing more than a longer exam. The addressable number is far smaller and sits further down this note: the $50.2B held by the 29-bank pressure pool, and inside that, the $7.4B that has already moved (Section 7).

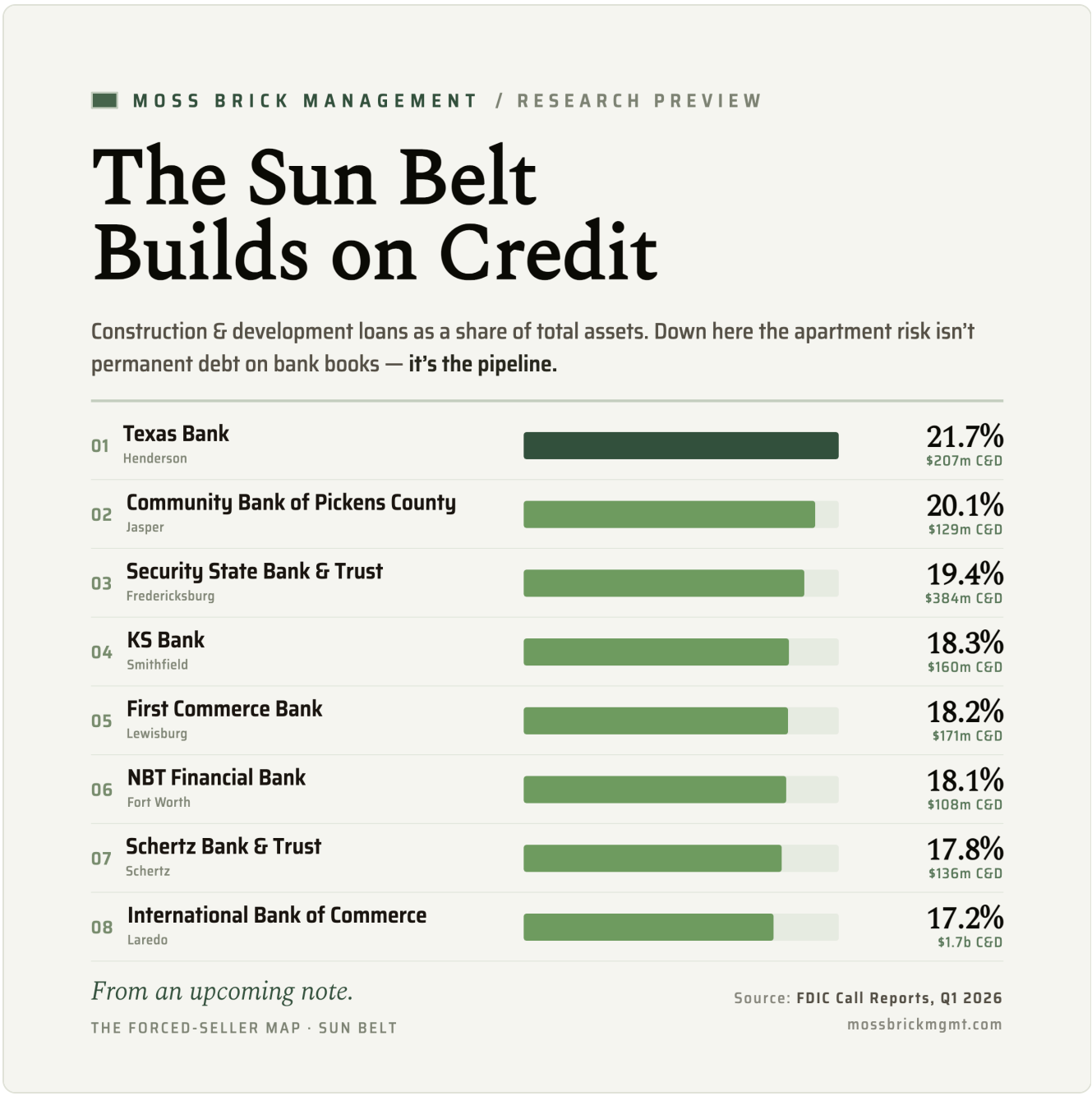

Exhibit 8 · Sun Belt banks most concentrated in construction & development lending, as a share of assets.

Construction loans are the pressure point here. They carry recourse, interest reserves that burn down, and hard maturity dates tied to a lease-up assumption written when rents were still rising. Where that assumption misses, the bank and the developer are both motivated — and the asset trades before it ever stabilizes.

5 · THE CREDIT TURN

Everything above measures *exposure*. This section adds what our first edition couldn't: whether the books are actually souring. We extended the dataset back to 2004 — 89 quarters, 591,000 bank-quarter observations — and tracked the noncurrent rate[4] on multifamily and construction loans (Exhibits 9 and 10).

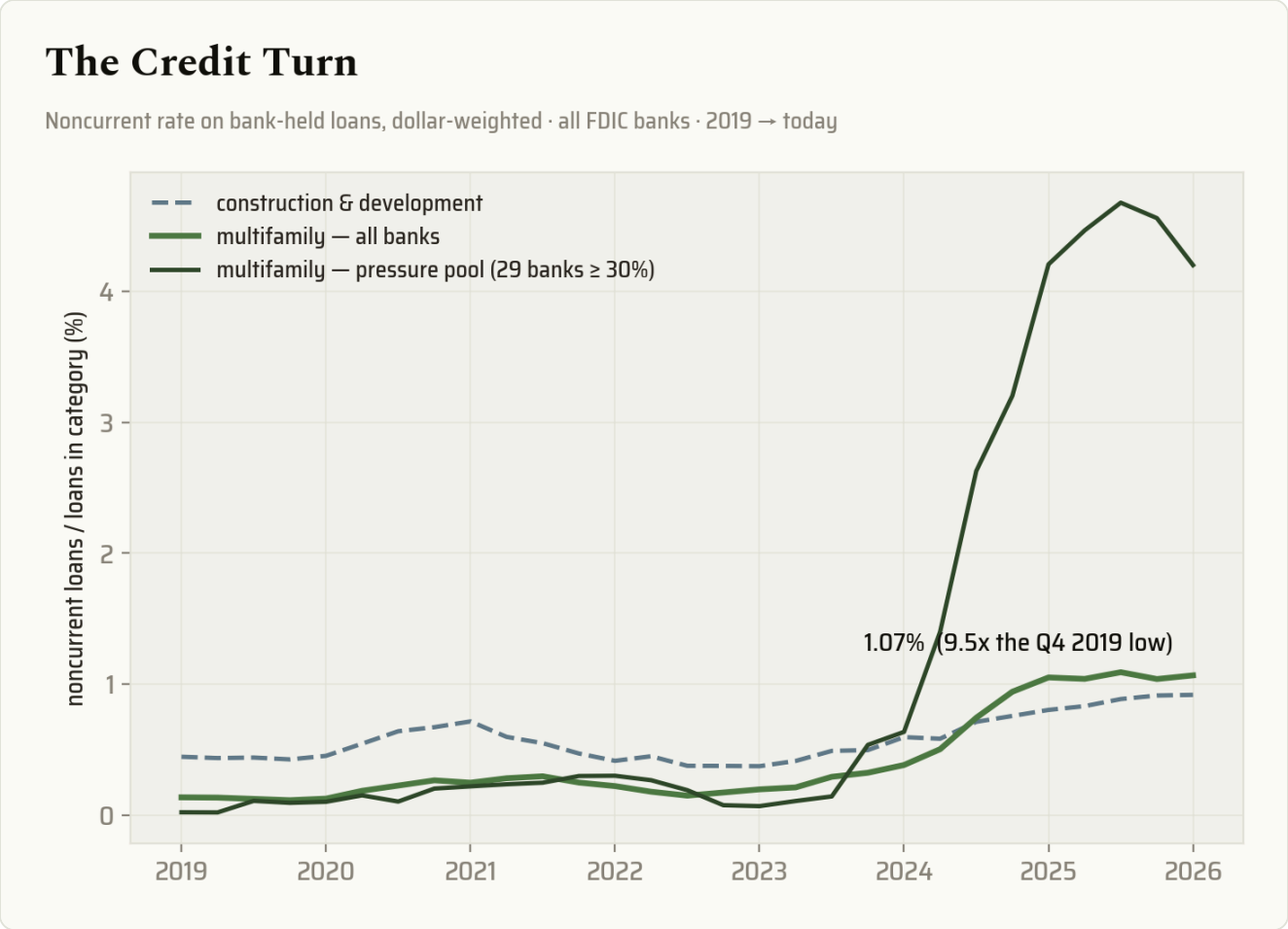

Exhibit 9 · Dollar-weighted noncurrent rates, 2019–2026. The pressure-pool line is dominated by its largest member — that is the point, not a caveat.

The industry multifamily noncurrent rate sat near **0.11%** in late 2019 and stayed benign straight through the pandemic. It broke upward in 2024 and reached **1.07%** in Q1 2026 — **9.5 times** its low, and now *above* construction (0.92%). But the aggregate hides the mechanism. Weight the same series by the pressure pool — the 29 banks above 30% concentration — and the rate is **4.2%**, four times the industry, having peaked at 4.7% in late 2025.

Nine-and-a-half times sounds alarming until you ask what it is nine-and-a-half times *of*. So we ran the same series back through the last crisis (Exhibit 10). It reframes the number in both directions.

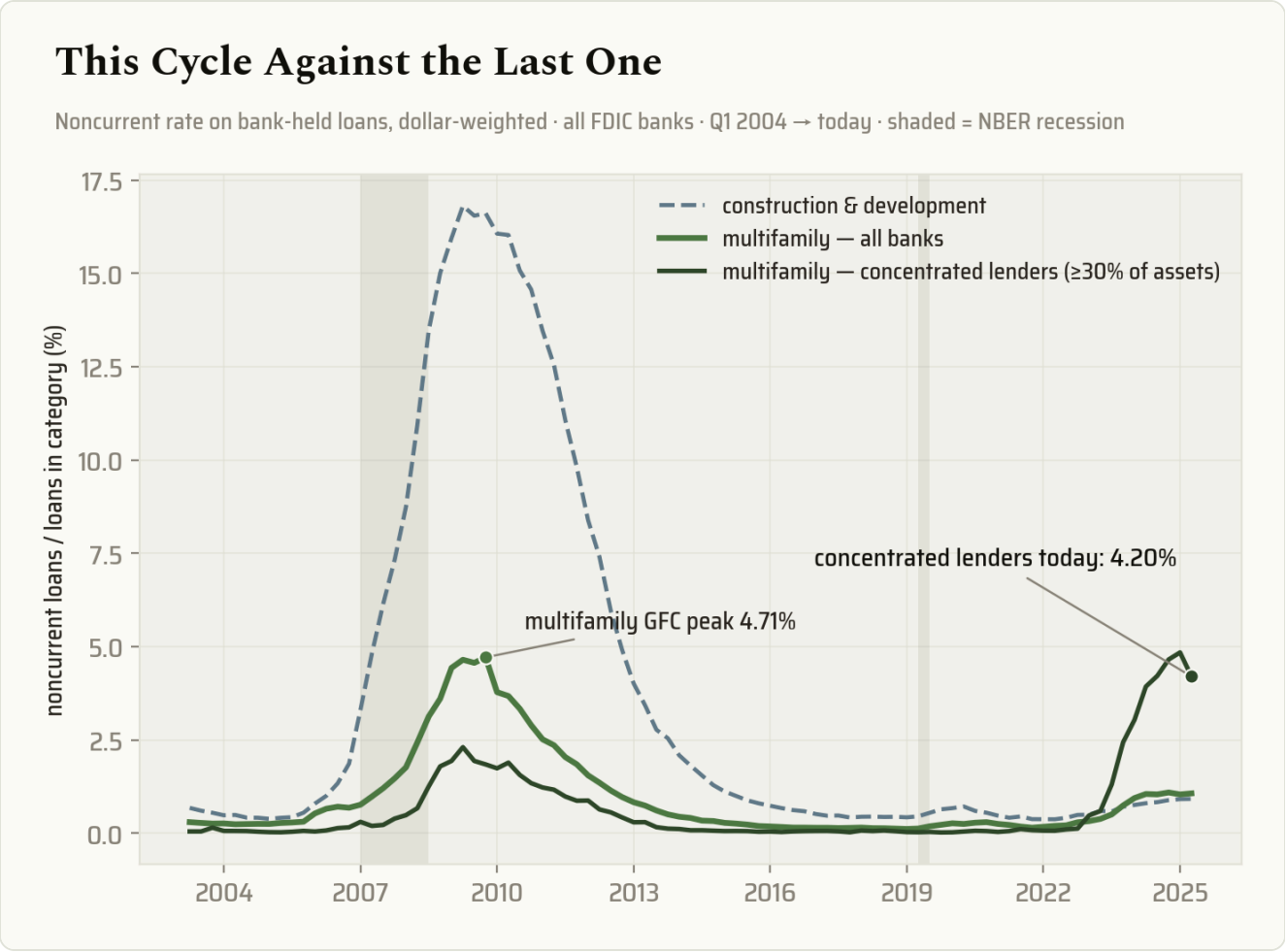

Exhibit 10 · The same dollar-weighted noncurrent rates, 2004 → today, with NBER recessions shaded. Construction's crisis is the tall dashed line; multifamily's is the modest green bump beneath it.

The industry is nowhere near 2010. Multifamily noncurrents peaked at **4.71%** in Q3 2010; today's 1.07% is **23% of that**. Construction peaked at **16.8%** and sits at 0.92% today — **one-eighteenth** of its crisis level. Anyone marketing this cycle as a repeat of the last one is not reading the same data we are. On construction in particular, our Sun Belt thesis is a statement about *where the risk is building*, not a claim that it has already broken. The credit has not turned there yet.

But the specialists have inverted. This is the finding that matters. In the financial crisis, the concentrated multifamily lenders were the *safe* end of the industry: at the 2010 peak they ran **0.39x** the industry noncurrent rate — apartment specialists knew their collateral and outperformed while construction lending detonated around them. Today that relationship has flipped hard. The same pool

now runs **3.94x** the industry rate. For the first time in the twenty-two years we can measure, the most concentrated multifamily lenders in America are in materially worse credit shape than the banks around them.

That is the whole thesis in one number. The system is fine. The specialists are not. And the specialists are exactly the lenders whose borrowers own the buildings we want. Concentrated exposure and deteriorating credit are arriving at the same banks at the same time — and that conjunction, not either alone, is what manufactures sellers.

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6 · CONCENTRATED, NOT INSOLVENT

We have said twice that concentration is not insolvency. It would be poor practice to assert it and move on, so here it is tested.

The Texas ratio[5] — noncurrent loans plus foreclosed real estate, over equity plus reserves — is the oldest and bluntest bank-health screen there is; supervisory folklore puts genuine distress near 100. Across the pressure pool, the median is **1.3**. The industry median for banks over $100M is **3.1**. The pool is not merely below the distress line, it is *healthier than the industry* on this measure. The single worst reading in the pool is Flagstar at **32** — still a third of the way to the line, and the most-watched CRE balance sheet in the country. Not one of the 29 is above 50 (Exhibit 11).

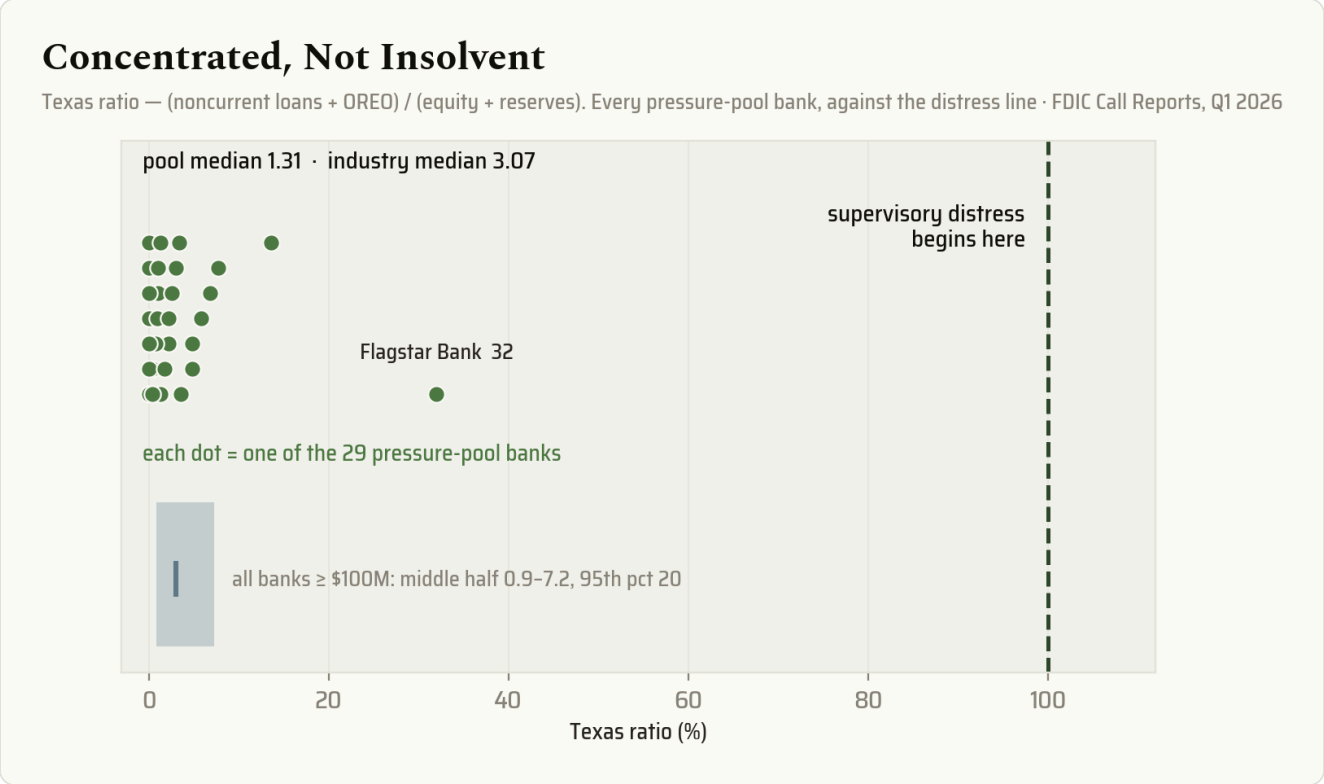

Exhibit 11 · Every pressure-pool bank's Texas ratio, against the industry spread and the supervisory distress line.

Capital tells the same story. Pressure-pool banks carry a median Tier 1 leverage ratio of **11.0%** against the industry's 10.7%, and median CET1 of **15.6%** against 14.2%. These are well-capitalized institutions. Many of them are conservatively run thrifts that have done nothing wrong except do one thing for a very long time.

This is not a caveat to the thesis. It is the thesis. The two outcomes look nothing alike:

- A bank that is genuinely failing gets **seized**. The FDIC takes the book, packages it, and sells it in bulk to whoever pre-qualified for the auction. There is no relationship, no negotiation, and no room for a mid-size buyer.
- A bank that is **healthy but over-concentrated** does the opposite. It has the capital to be patient and the examiner pressure to be firm. So it works the book down quietly, loan by loan, at maturity — a paydown here, a discounted payoff there, a nudge to a borrower to go find an agency execution or a buyer.

The second bank is the one that manufactures forced sellers, and it is the one you can build a relationship with two quarters before the conversation happens. A distressed bank is a headline. A concentrated, well-capitalized, examiner-pressured bank is a pipeline.

7 · PRESSURE IN MOTION

A bank under this kind of pressure doesn't announce it. It *shrinks*. So the most direct forced-seller signal in the dataset is a concentrated lender whose multifamily book is getting smaller — because portfolio loans leave a balance sheet through exactly three doors: payoff, sale, or charge-off, and at today's rates nobody is refinancing out voluntarily.

Over the four quarters to Q1 2026, **14 of the 29 pressure-pool banks cut their multifamily books — $7.4 billion withdrawn**:

BANK	STATE	MF BOOK	1-YR CHANGE
Flagstar Bank, N.A.	NY	$27.9B	**−$5.58B**
First Foundation Bank	CA	$3.5B	**−$1.16B**
Northfield Bank	NY	$2.3B	−$254M
Kearny Bank	NJ	$2.6B	−$178M
United Fidelity Bank	IN	$3.1B	−$85M

Where did $7.4 billion go? A portfolio loan can only leave through three doors, and each one is a different event for the borrower:

- **It was paid off.** Someone refinanced — agency, debt fund, life company, insurance — or sold the asset to fund the payoff. At today's rates a voluntary refinance is usually a *worse* rate than the loan being retired, which means the borrower didn't want to be there; they were asked to leave. Every payoff dollar is a borrower who had to find new capital on someone else's schedule.
- **The loan was sold.** The paper moved to a debt fund or another bank, usually at a discount. The borrower now has a new counterparty with a different basis, a shorter horizon, and no relationship history — and often an explicit plan to exit the position.
- **It was charged off.** The smallest share, and the loudest: the asset is heading to sale one way or another.

Flagstar shows the mechanism in public. Management guided to $600–800M of quarterly CRE payoffs; actual payoffs have run about **$1.5 billion a quarter** through the first half of 2026 — roughly double plan, fast enough that it is compressing the bank's own net interest income. Total CRE is down **$13.4**

billion, or 28%, from year-end 2023, against a stated goal of rebalancing to a third CRE, a third C&I, a third consumer. And **39% of one recent quarter's payoffs came from loans rated substandard.** That is not a bank harvesting maturities. That is a workout desk clearing a shelf — and every one of those payoffs was a borrower being told, politely, to go.

The lesson generalizes past Flagstar. **The $7.4 billion did not evaporate; it was refinanced by someone else or realized through a sale.** Every dollar was a borrower who needed replacement capital in a market where replacement capital costs more than what they had. Some found it. The ones who didn't are the sellers.

The list above is not a watchlist of the future. It is a record of forced-seller conversations that already happened — and the books are still concentrated, so the conversations continue.

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8 · THE MOSS BRICK PRESSURE INDEX™

To make this a tool rather than an essay, we combine the four signals into one number per bank. The **MBPI™** is deliberately simple and fully disclosed: for every bank with ≥$100M in assets and ≥$10M of multifamily, take its **percentile rank** on each of four measures — multifamily/assets, multifamily/risk-based capital, multifamily noncurrent rate, and 36-month multifamily growth — and average them.[8] The result runs 0–100; a bank at 90 sits, on average, at the 90th percentile of every pressure dimension at once. No fitted weights, no black box, reproducible from public data.

The publication of the formula is deliberate. Every proprietary CRE score on the market asks you to trust a number you cannot check. This one can be rebuilt from free federal data by anyone who reads the Methodology — which is the point. The edge was never the arithmetic. It is knowing which of these banks will take the call.

The Q1 2026 leaderboard (universe: 1,811 banks; top 5 shown, full top 25 in Appendix A):

#	BANK	MARKET	ASSETS	MF BOOK	MF/ASSETS	MF/CAPITAL	MF NONCURRENT	3-YR GROWTH	MBPI
1	Community Federal Savings	Woodhaven, NY	$0.8B	$0.30B	35.8%	313%	0.6%	+114%	90.8
2	Modern Bank, N.A.	New York, NY	$0.7B	$0.12B	16.7%	164%	**5.7%**	+87%	89.4

#	BANK	MARKET	ASSETS	MF BOOK	MF/ASSETS	MF/CAPITAL	MF NONCURRENT	3-YR GROWTH	MBPI
3	OneLocal Bank	Norwood, MA	$1.1B	$0.21B	19.8%	148%	0.3%	+130%	89.1
4	Maine Community Bank	Portland, ME	$2.9B	$0.31B	10.5%	107%	0.1%	+478%*	89.1
5	NexTier Bank, N.A.	Kittanning, PA	$2.9B	$0.33B	11.6%	113%	3.0%	+122%	88.6

\Growth includes acquisitions — Maine Community's 478% reflects a merger, not organic origination. See Methodology.*

How to make money with this table

The rank is the least useful column. The money is in *which* components are high, because that tells you where the bank is in its cycle — and therefore what you should be doing about it this quarter.

WHAT YOU SEE	WHAT IT MEANS	WHAT YOU DO
High concentration, **clean** credit (Community Federal at 35.8% of assets, 0.6% noncurrent)	Loaded up, nothing broken yet. Examiner pressure is coming before borrower pressure.	**Call now.** This is a relationship to build 12–18 months ahead of the conversation. You want to be the name they already know when the first loan needs an exit.
High **noncurrent** (Modern at 5.7%, NexTier at 3.0%)	The workout desk is already staffed and already deciding which borrowers sell.	**Bid now.** Ask what is on the watchlist and what they'd like off the books this quarter. Bring proof of funds, not a term sheet.
High **36-month growth** (OneLocal +130%, Community Federal +114%)	The bank wrote a lot of paper at the top. Those loans mature 2026–2028 on a basis that no longer works.	**Diary it.** This is a maturity-wall play, not a today play. Track it quarterly and be early.
Concentration **falling** quarter over quarter	Section 7's live signal — the book is actively being worked down right now.	**Move.** These assets are trading this quarter, quietly, to whoever is standing there.

The index refreshes every quarter when call reports drop. **Movement up the table is the leading indicator** — a bank that climbs ten places in two quarters is a bank whose situation is changing faster

than its peers', and that is the call to make before anyone else reads the same data.

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9 · CHICAGO: THE HOME-MARKET READ

Our own backyard is a clean illustration of the Northern pattern (Exhibit 12). A cluster of Chicago-area community banks carry multifamily at 30–43% of total assets — **First National Bank of Brookfield at 43%, Albank at 40%, Marquette at 38% on an $815 million multifamily book.** These are not troubled institutions. They are portfolio lenders who have spent decades building relationships with local apartment owners — which means they hold a great deal of paper on a great deal of Chicago brick, and every dollar of it reprices at maturity.

And the brick underneath that paper is better collateral than the national narrative assumes. Chicago has been one of the country's leading rent-growth markets for the simple reason that it never built: roughly **11,000 units are under construction, about 1.9% of inventory — the lowest level since 2012**, with regional deliveries running under 4,000 units a year. Vacancy sits near **5.0%** against a national rate around 8.5%, and rent growth has run **3.2–3.4%** while heavily-supplied Sun Belt metros gave rent back. The Sun Belt's problem is that it built too much. Chicago's advantage is that it didn't.

That combination is unusual and worth stating plainly: **a lender under maturity and concentration pressure, holding loans on assets whose fundamentals are improving.** The pressure here is financial, not operational. The seller needs to transact because of the debt, not because the building is failing — which is the best possible version of this trade, and the opposite of buying a half-leased Sun Belt lease-up from a bank that has run out of interest reserve.

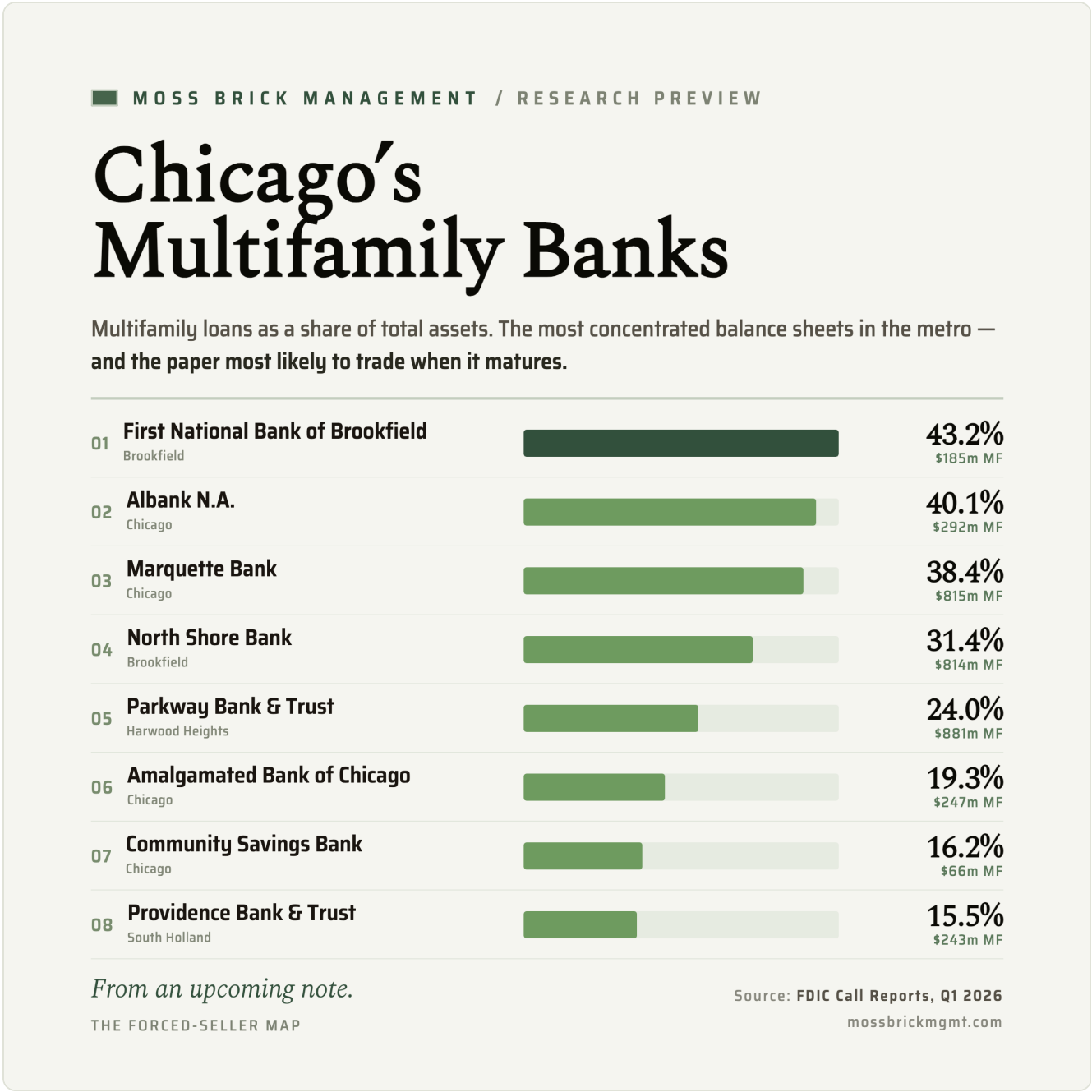

Exhibit 12 · Chicago-area banks most concentrated in multifamily, as a share of total assets.

For an operator who buys in this market, that is a map of where the conversations are.

10 · WHAT IT MEANS FOR A BUYER

Read this way, a bank's balance sheet is a **sourcing tool**:

- **Build relationships against the concentration.** The lenders in Exhibits 3 and 12 — and up the MBPI table — are the ones most likely to have a name they'd rather not carry through the next exam cycle. That is a warm introduction waiting to happen.
- **Match the vector to the market.** In Chicago and the Northeast, the signal is permanent-loan maturities at portfolio lenders. In the Sun Belt, it's construction loans meeting a soft lease-up — and the supervisory screen says that is where the examiners are looking too.
- **Watch the shrinkers.** Section 7 is the live list: a concentrated bank actively cutting its book is running forced-seller conversations *this quarter*. Those assets trade quietly, to whoever is standing there.
- **Be the certain buyer.** A concentrated lender working down an exposure does not want a broken process. Principal capital, a fast close, and no fund clock is exactly the counterparty they'll take a discount to transact with.
- **Know the connectors.** None of the above is self-executing. A screen produces a list of institutions; it does not produce a phone call that gets returned. The scarce asset in this market is the person who holds relationships on both sides of the table — who knows the workout officer at the concentrated lender *and* the sponsor whose loan matures in eleven months, and who can put the two in a room before the asset is ever marketed. That is the business Moss Brick and its principals are in: reading the data, then connecting the dots it can only point at.

You make your money on the buy. The balance sheets above are a map of where the buys will be — and, for the first time in this series, a clock on when.

NOTES

1 **Gini coefficient** — a single number for how unequally something is distributed, running from 0 (every bank holds an identical share) to 1 (one bank holds everything). It is most often used for income inequality, where developed countries sit around 0.3–0.4. At **0.93**, the distribution of multifamily loans across American banks is far more concentrated than the income distribution of any country on earth.

2 **Welch's t-test, Cohen's d, Mann-Whitney U** — the t-test asks whether two groups' averages differ by more than sampling noise; Welch's version does not assume the groups have equal spread. The **p-value** is the probability of seeing a gap this large if there were truly no difference: $p < 10^{-31}$ means one chance in a billion billion billion. **Cohen's d** measures the *size* of the gap in standard deviations — 0.2 is small, 0.5 medium, 0.8 large; **d = 1.1** means the average Northeast bank and the average Sun Belt bank are more than a full standard deviation apart. **Mann-Whitney U** re-tests the same question using only rank order, so a few extreme banks cannot manufacture the result.

3 **2006 Interagency Guidance** — formally the *Interagency Guidance on Concentrations in Commercial Real Estate Lending*, issued jointly in December 2006 by the OCC, Federal Reserve, and FDIC (71 FR 74580). It is not a hard limit and tripping it is not a violation; it sets the numeric screens that flag a bank for heightened supervisory attention — more frequent examination, closer review of risk management, and pressure to hold more capital or slow growth. Examiners still apply it today.

4 **Noncurrent rate** — loans 90+ days past due or on nonaccrual, as a share of loans in that category. It is the standard regulatory measure of a souring book, and it lags the borrower's actual distress by a quarter or two.

5 **Texas ratio** — (noncurrent loans + foreclosed real estate) ÷ (equity + loan-loss reserves). Named for the Texas banks of the 1980s, it compares the problems a bank has to the resources it has to absorb them. Below 50 is comfortable; approaching 100 means problem assets rival the entire capital cushion, which is where supervisory intervention historically begins.

6 **Lognormal, σ = 1.19** — the concentrations aren't spread symmetrically around the average; their *logarithms* are. In practice that means a long right tail: most banks cluster at very low concentration and a small number sit many multiples above the median. σ is the width of that spread — the larger it is, the more extreme the tail.

7 **Pressure pool** — our term, not a regulatory one: the banks holding multifamily at 30% or more of total assets. The 30% cut is a round number that lands at the 99.2nd percentile of the industry, isolating the specialist tail without being tuned to produce a particular list.

8 **MBPI™** — the Moss Brick Pressure Index. Percentile ranks rather than raw values, so no single outsized bank can distort the scale and no component needs an arbitrary weight. At least three of the four components must be present for a bank to be scored.

METHODOLOGY

Data. FDIC call-report data for every insured institution, pulled quarterly from the FDIC BankFind API: 89 quarters (Q1 2004 – Q1 2026), 591,374 bank-quarter observations, 4,288 banks reporting in Q1 2026. Loan schedules are raw dollars (multifamily = LNREMULT; construction & development =

LNRECONS; nonfarm nonresidential = LNRENRES), capital is Tier 1 + Tier 2 risk-based capital dollars (RBCT1J + RBCT2), noncurrent rates are the FDIC's category-level ratios (NCREMULR, NCRECONR), and the solvency screen uses noncurrent loans (NCLNLS), foreclosed real estate (ORE), loan-loss reserves (LNATRES), equity (EQ), Tier 1 leverage (RBC1AAJ), and CET1 (RBCT1CER). We compute concentration from raw dollars, never from pre-computed ratio fields.

Universes. Distribution and inequality statistics use all 4,288 reporting banks. "Typical bank" statistics (percentiles, regional comparisons, correlations, the supervisory screen, the solvency screen) restrict to banks ≥ $100M in assets (n = 3,737) so that a long tail of very small charters doesn't distort shape statistics. The MBPI additionally requires ≥ $10M of multifamily and reported capital (n = 1,811). The pressure pool is defined as multifamily ≥ 30% of assets (n = 29; the 99.2nd percentile).

Statistics. Regional means carry bootstrap 95% confidence intervals (10,000 resamples, fixed seed — every number in this note reproduces exactly). Regional gaps are tested with Welch's unequal-variance t-test, effect sizes are Cohen's d, and each parametric result is confirmed with a Mann-Whitney U test. Correlations are reported as both Pearson and Spearman. Industry noncurrent series are dollar-weighted.

Historical series. In Exhibit 10 the pressure pool is recomputed *in every quarter* — a bank counts as concentrated in 2009 because it was concentrated in 2009, not because it is concentrated now. Without this the crisis-era comparison would be contaminated by hindsight. The 0.39x / 3.94x figures are the pool's dollar-weighted noncurrent rate divided by the industry's, at the 2010 multifamily peak and at Q1 2026 respectively.

The supervisory screen applies the 2006 Interagency Guidance on Concentrations in Commercial Real Estate Lending (OCC, Federal Reserve, FDIC; 71 FR 74580): C&D ≥ 100% of total risk-based capital, or total CRE ≥ 300% of capital with 36-month CRE growth ≥ 50%. Our CRE aggregate (construction + multifamily + nonfarm nonresidential) includes owner-occupied nonfarm property that the regulatory definition excludes, so our 300%-prong counts modestly **overstate** the official calculation; the C&D prong is exact.

The MBPI is the equal-weight mean of a bank's percentile ranks on (i) multifamily/assets, (ii) multifamily/risk-based capital, (iii) multifamily noncurrent rate, and (iv) 36-month multifamily growth, requiring at least three components. Percentile ranks make the index robust to outliers and free of fitted parameters.

Limitations. (1) We do not observe loan *maturity timing*, which determines when pressure lands; a maturity overlay is planned. (2) Growth rates are computed on reported balances and are therefore confounded by M&A — a merger reads as growth (flagged where identified). (3) Cross-sections are drawn from banks reporting in that quarter, so failed and merged institutions leave the panel going forward; the historical series in Exhibit 10 is unaffected because each quarter is measured on the banks that existed then, but bank-level growth rates spanning a failure are not computable. (4) This is bank-held exposure only; agency, debt-fund, and CLO multifamily debt is out of scope — which is precisely why the Sun Belt reads quiet on multifamily. (5) Concentration measures exposure and pressure, not insolvency; Section 6 quantifies that distinction, and no statement here is a claim about any institution's safety or soundness. (6) Third-party figures on Flagstar's payoff pace and on Chicago supply and vacancy are from company disclosures and market reports, not from call-report data, and are labeled as such in the text.

Nothing here is an offer to sell or a solicitation to buy any security. It is market research for informational purposes only.

APPENDIX A · MBPI™ TOP 25, Q1 2026

#	BANK	MARKET	ASSETS	MF/ASSETS	MF/CAPITAL	MF NONCURR.	3-YR GROWTH	MBPI
1	Community Federal Savings Bank	Woodhaven, NY	$0.8B	35.8%	313%	0.56%	+114%	90.8
2	Modern Bank, N.A.	New York, NY	$0.7B	16.7%	164%	5.68%	+87%	89.4
3	OneLocal Bank	Norwood, MA	$1.1B	19.8%	148%	0.26%	+130%	89.1
4	Maine Community Bank	Portland, ME	$2.9B	10.5%	107%	0.08%	+478%	89.1
5	NexTier Bank, N.A.	Kittanning, PA	$2.9B	11.6%	113%	3.04%	+122%	88.6

The remaining 20 banks are withheld. Request the full table → **deals@mossbrickmgmt.com**

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