

November 8, 2011

The Honorable Kay Hagan
Member
U.S. Senate Committee on Banking,
Housing & Urban Affairs
521 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bob Corker
Member
U.S. Senate Committee on Banking,
Housing & Urban Affairs
185 Dirksen Senate Office Building
Washington, DC 20510

RE: Support for the United States Covered Bond Act of 2011

Dear Senators Hagan and Corker:

On behalf of our members in all segments of the commercial and multifamily real estate market, we applaud your bipartisan efforts to facilitate the growth of a U.S. covered bond market. A robust covered bond market would provide an additional source of liquidity and capital to fund many types of bank loans, including multifamily residential and commercial real estate loans. Our organizations are joining together to support the *U. S. Covered Bond Act of 2011* because of the inclusion of high quality commercial and multifamily mortgages as eligible collateral in a newly created framework for covered bonds. As such, we encourage the Members of the Full Senate Committee on Banking, Housing & Urban Affairs to support your bill.

Commercial real estate (CRE) and multifamily real estate has helped fuel our nation's economic growth over the past two decades while providing jobs and services to local communities, as well as housing for millions of Americans in multifamily dwellings. However, the CRE market was greatly impacted by the recent downturn in the economy – including high unemployment, low consumer confidence and falling property values.

This year, the CRE finance market showed important signs of life. Banks, life insurance companies, the FHA, GSEs, the CMBS market and other market participants were all lending in the first half of the year. Through October of this year, more than \$28.8 billion of CMBS has been issued, and estimates are for roughly \$30 billion by year's end.

That said, the commercial and multifamily real estate finance industry remains uneasy about 2012. This is mainly due to the Euro-zone crisis, U.S. debt levels and regulatory uncertainty about the types of regulations that will end up being finalized next year. At this uncertain moment - and with over \$1 trillion in CRE mortgage loans scheduled to mature over the next several years - we applaud the introduction of legislation that would facilitate the growth of the U.S. covered bond market in order to provide an additional source of CRE lending and investing.

Such legislation is needed to promote investor confidence in covered bonds, which in turn would provide additional liquidity and support credit availability in the CRE market. While covered bonds cannot replace existing sources of capital; including banks, CMBS, and life insurance companies as a capital source for the commercial and multifamily mortgage market, they could be an additive financing tool to support CRE finance.

Further, a covered bond market that includes commercial and multifamily mortgages already exists in most European jurisdictions to both facilitate the market and better serve consumers and businesses seeking access to credit. The growth of U.S. covered bonds for commercial and multifamily mortgages would promote global competitiveness and ensure that American consumers and businesses have access to the same sources of credit available as foreign counterparts.

We strongly support efforts to facilitate a U.S. covered bond market and urge consideration of this important legislation. Such a measure would support commercial and multifamily real estate and a broader U.S. economic recovery, while supporting job growth and better serving the American consumer and businesses seeking access to credit.

Sincerely,

American Hotel & Lodging Association
American Land Title Association
American Resort Development Association
Appraisal Institute
Building Owners and Managers Association International
Certified Commercial Investment Member Institute (CCIM Institute)
Commercial Real Estate (CRE) Finance Council
Institute of Real Estate Management
International Council of Shopping Centers
Mortgage Bankers Association
NAIOP, the Commercial Real Estate Development Association
National Apartment Association
National Association of Real Estate Investment Trusts
National Association of Realtors®
National Multi Housing Council
Realtors® Land Institute
Society of Industrial and Office REALTORS®
The Real Estate Roundtable

CC: Members of the Senate Committee on Banking, Housing & Urban Affairs