NATIONAL ASSOCIATION of REALTORS®

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Dale A. Stinton
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GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-3837580
www.REALTOR.org

November 28, 2012

The Honorable Shelley Moore Capito
Chairwoman, Subcommittee on Financial Institutions & Consumer Credit
United States House of Representatives
2443 Rayburn House Office Building
Washington, DC 20515

The Honorable Carolyn B. Maloney
Ranking Member, Subcommittee on Financial Institutions & Consumer Credit
United States House of Representatives
2332 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Capito and Ranking Member Maloney:

On behalf of the one million members of the National Association of REALTORS® (NAR), and its commercial affiliates[1], I am writing to you regarding tomorrow's joint hearing on "Examining the Impact of the Proposed Rules to Implement Basel III Capital Standards." NAR is concerned that the proposed Basel III capital rules, with its disproportionate risk treatment of mortgages, will have a detrimental effect on the accessibility and affordability of residential and commercial mortgage credit.

NAR supports strong capital requirements for the global banking system. Under the current proposal, the regulatory capital charge on well underwritten, fixed rate, 30-year, first mortgages with a loan-to-value (LTV) between 80 percent and 90 percent will increase by 50 percent. If the LTV is over 90 percent, the capital charge will double. NAR is most concerned that the risk weights assigned to residential mortgage loans, and the elimination of mortgage insurance as a risk mitigation option, will reduce the availability of mortgage capital to consumers, including many first-time homebuyers.

We also have substantial concerns regarding the high proposed risk weights for certain commercial asset classes. The proposal creates a new risk-based capital category – High Volatility Commercial Real Estate Exposures (HVCRE) for commercial acquisition, development, and construction (ADC) loans. Specifically, the proposed changes raise the risk-weight for an ADC loan from 100 percent to 150 percent. In response to the potential changes, it is highly likely that banks would substantially change their current lending practices and reduce the amount of available commercial real estate credit in order to avoid the higher capital charges associated with ADC loans.

NAR believes that regulators should fully consider the evidence and adverse economic consequences that could well ensue by dramatically increasing the cost of residential and commercial mortgage lending. We recommend that the proposed regulations be modified so they more accurately correlate the actual risk characteristic of mortgages with the proposed risk weights.

Sincerely,

Gary Thomas
2013 President, National Association of REALTORS®

cc: Members of the Subcommittee on Financial Institutions & Consumer Credit

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[1] CCIM Institute, Institute of Real Estate Management, REALTORS® Land Institute, and Society of Industrial and Office REALTORS®