NATIONAL ASSOCIATION of REALTORS®

Tom Salomone
2016 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Scott Reiter, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194; Fax 202-383-7580
www.REALTOR.org

May 19, 2016

The Honorable Richard Shelby
Chairman
Senate Banking Committee
2228 Rayburn House Office Building
Washington, DC 20515

The Honorable Sherrod Brown
Ranking Member
Senate Banking Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Shelby and Ranking Member Brown:

On behalf of the over 1.1 million members of the National Association of REALTORS® (NAR) and its commercial affiliates, the CCIM Institute, the Institute of Real Estate Management (IREM), the Society of Industrial and Office REALTORS® (SIOR), and the REALTORS® Land Institute (RLI), thank you for holding today's hearing, "Improving Communities' and Businesses' Access to Capital and Economic Development," and for discussing H.R. 4620, the "Preserving Access to CRE Capital Act," sponsored by Representative French Hill (R-AR). NAR supports H.R. 4620, which will provide important, common-sense relief from the overly-broad commercial real estate risk retention rules when they go into effect in December 2016.

The Preserving Access to CRE Capital Act makes a modest but important change to the "Qualified Commercial Real Estate" (QCRE) exemption to the commercial real estate risk retention rules slated to go into effect in December 2016. These impending rules are, as written, overly broad. Single asset/single borrower (SASB) commercial mortgage backed securities (CMBS) are not exempt, despite being low-risk, and not the type of transaction the Dodd-Frank Act was intended to regulate. Rep. Hill's legislation would fix this oversight by widening the QCRE exemption to include SASB and interest-only loans. Without this fix, liquidity rates will be impaired and borrowing costs will go up.

CMBSs are important sources of financing for commercial real estate projects of all kinds, providing about 25% of all commercial real estate lending in the country[1]. They are especially important in secondary and tertiary markets, where they provide a significant portion of the financing for smaller, "Main Street" businesses. Arbitrarily reducing liquidity in the CMBS market will thus reduce liquidity across the board and raise borrowing costs for commercial real estate loans in all markets.

NAR's membership includes nearly 80,000 Commercial REALTORS® and twenty-nine commercial boards throughout the country. The majority of NAR's commercial members work in secondary and tertiary markets, with a median deal of $2.9 million [2]. If the risk retention rules are implemented as written, they will cause a ripple effect of decreased liquidity and raised borrowing costs throughout the commercial real estate market, which will in turn negatively affect our members and the communities they work in.

Thank you again for addressing this important issue for the health of the commercial real estate market. NAR supports H.R. 4620, and looks forward to continuing to work with you on this in the future.

Sincerely,

Tom Salomone
2016 President, National Association of REALTORS®

cc: Senate Banking Committee

EQUAL HOUSING OPPORTUNITY

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

[1] Written Testimony of the Commercial Real Estate Finance Council, http://financialservices.house.gov/uploadedfiles/hhrg-114-ba16-wstate-srenna-20160224.pdf, February 24, 2016.
[2] "National Association of REALTORS® Commercial Member Profile 2015." The National Association of REALTORS®. https://www.scribd.com/doc/268728286/The-2015-NATIONAL-ASSOCIATION-OF-REALTORS-Commercial-Member-Profile (June 15, 2015)