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February 29, 2016

The Honorable Jeb Hensarling  
Chairman  
House Financial Services Committee  
2228 Rayburn House Office Building  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
House Financial Services Committee  
2221 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the 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), I urge you to support H.R. 4620, the “Preserving Access to CRE Capital Act,” sponsored by Representative French Hill (R-AR), at Wednesday’s markup. This bill 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<sup>1</sup>. 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<sup>2</sup>. 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.

Please support passage of this important bill. NAR thanks you for this important work, and looks forward to working with you to enact legislation this year.

Sincerely,



Tom Salomone  
2016 President, National Association of REALTORS®

cc: House Financial Services Committee



<sup>1</sup> Written Testimony of the Commercial Real Estate Finance Council, <http://financialservices.house.gov/uploadedfiles/hhrg-114-ba16-wstate-srenna-20160224.pdf>, February 24, 2016.

<sup>2</sup> “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)