

June 22, 2011

The Honorable Spencer Bachus  
Chairman  
U.S. House Committee on  
Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Barney Frank  
Ranking Member  
U.S. House Committee on  
Financial Services  
B301C Rayburn House Office Building  
Washington, DC 20515

**RE: Support for H.R. 940, the United States Covered Bond Act of 2011**

Dear Chairman Bachus and Ranking Member Frank:

On behalf of our members in all segments of the commercial real estate market, we applaud the bipartisan efforts of Congressman Scott Garrett and Congresswoman Carolyn Maloney to facilitate the creation of a U.S. covered bond market. A covered bond market would provide an additional source of liquidity and capital to fund many types of bank loans, including residential and commercial real estate loans. Among other reasons, our organizations are joining together to support H.R. 940, the "*U. S. Covered Bond Act of 2011*," because it includes high quality commercial mortgages and commercial mortgage-backed securities (CMBS) as eligible collateral in a newly created framework for covered bonds. As such, we encourage the Members of the Full Committee on Financial Services to vote to support passage of H.R. 940.

Commercial real estate (CRE) 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.

Today, the CRE finance market is showing important signs of life. Banks, life insurance companies, the GSEs, the CMBS market and other market participants are all lending. Last year, the CMBS market accounted for \$11.6 billion in issuance. Through June of this year, more than \$14 billion of CMBS has been issued, and estimates are for upwards of \$35 billion by year end. And while over \$1 trillion in CRE mortgage loans are scheduled to mature over the next several years, the current lending and economic environment is beginning to create the ability for the CRE finance marketplace to manage this refinancing wave.

But tremendous regulatory and economic uncertainty remains in the market, which could deprive the CRE market of this important source of financing. As such, we applaud consideration of legislation that would facilitate the creation of a 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 liquidity and support credit availability in the CRE market. While covered bonds cannot replace CMBS as a capital source for the commercial mortgage market, they could be an additive financing tool to support CRE finance.

Further, a covered bond market that includes commercial mortgages and CMBS as eligible collateral already exists in most European jurisdictions to both facilitate the market and better serve consumers and businesses seeking access to credit. The creation of U.S. covered bond regime that includes commercial mortgages and CMBS 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 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 Land Title 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  
Mortgage Bankers Association  
NAIOP, the Commercial Real Estate Development Association  
National Association of Real Estate Investment Managers  
National Association of Real Estate Investment Trusts  
National Association of Realtors®  
Realtors® Land Institute  
Society of Industrial and Office REALTORS®  
The Real Estate Roundtable

CC: Members of the House Financial Services Committee