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July 7, 2011

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

The Honorable Carolyn Maloney
Ranking Member, Subcommittee on
Financial Institutions & Consumer Credit
United States House of Representatives
2346 Rayburn Office Building
Washington, DC 20515

Dear Chairman Capito and Ranking Member Maloney:

On behalf of the 1.1 million members of the National Association of REALTORS® (NAR), and its commercial affiliates*, I am writing to you regarding tomorrow's hearing on "Legislative Proposals Regarding Bank Examination Practices." I respectfully request your support of H.R. 1723, the "Common Sense Economic Recovery Act of 2011," introduced by Representative Posey (R-FL). This legislation will direct federal banking agencies to treat current, non-delinquent, and amortizing loans as accrual loans instead of as non-accrual loans, creating more financing options when commercial real estate loans mature and allowing financial institutions to play a more significant role in revitalizing our nation's economy.

Nearly \$1.2 trillion of commercial real estate loans with balloon mortgages will mature over the next few years, with very limited options to refinance. For commercial borrowers that are making their monthly payments, a simple term extension or workout in lieu of a refinance makes perfect sense. However, many lenders are currently not offering loan modifications due to pressure from bank regulators. Anecdotal evidence suggests that regulators continue to encourage lenders to write down the value of performing loans and, in some instance, even call the loan if the current value of the property is less than the loan balance. This has further exacerbated the economic downturn by creating defaults in properties that were able to meet, and did meet their debt servicing obligations.

If not addressed, the swelling wave of maturities could place further stress on our nation's already fragile financial markets and overall economy. H.R. 1723 could be instrumental in alleviating this stress by allowing financial institutions more flexibility. NAR encourages the timely enactment of this important legislation, which will halt the adverse re-categorization of performing commercial loans and help to prevent the commercial real estate sector from holding back the nation's economic recovery.

Sincerely,

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR
2011 President, National Association of REALTORS®

cc: Members, House Financial Services Subcommittee on Financial Institutions and Consumer Credit



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* CCIM Institute, Institute of Real Estate Management, REALTORS® Land Institute, and Society of Industrial and Office REALTORS®