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January 31, 2012

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

The Honorable Carolyn Maloney
Ranking Member, Subcommittee on
Financial Institutions and 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 1.1 million members of the National Association of REALTORS® (NAR), and its commercial affiliates: CCIM Institute, Institute of Real Estate Management, REALTORS® Land Institute, and Society of Industrial and Office REALTORS®, we thank you for scheduling tomorrow’s hearing on H.R. 3461, the “Financial Institutions Examination Fairness and Reform Act” (Rep. Capito, R-WV). NAR supports passage of this bill, which directs federal banking agencies to not place a commercial real estate loan in non-accrual status solely because the collateral for such loan has deteriorated in value. This will create more financing options for maturing commercial real estate loans and allow financial institutions to play a significant role in revitalizing our nation’s economic recovery.

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. Our 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 obligations.

If not addressed, the swelling wave of maturities will place further stress on our nation’s already fragile financial markets and overall economy. H.R. 3461 could be instrumental in alleviating this stress by allowing financial institutions more flexibility. NAR strongly encourages the timely passage of this legislation, which will halt the adverse re-categorization of performing commercial loans.

Sincerely,

Maurice “Moe” Veissi
2012 President, National Association of REALTORS®

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



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