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February 20, 2018

The Honorable Doug Jones  
326 Russell Senate Office Building  
Washington, DC 20510

The Honorable Tom Cotton  
124 Russell Senate Office Building  
Washington, DC 20510

Dear Senators Jones and Cotton:

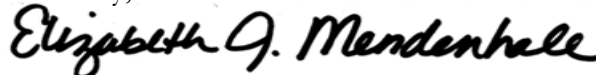
On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), thank you for introducing S. 2405, the Clarifying Commercial Real Estate Loans Act. This bill would amend the Federal Deposit Insurance Act to make important clarifications to the Basel III High Volatility Commercial Real Estate (HVCRE) Rule.

The HVCRE rule affects commercial acquisition, development, and construction (ADC) loans, requiring lenders to assign them a risk-weight of 150% - up from pre-HVCRE rule levels of 100%. This higher risk-weight has the effect of making commercial ADC loans more expensive, and thus less attractive, to lenders. In addition, as currently written the rule lacks specificity, and confusion among the lending community has led to a wide disparity in how it is interpreted and applied to loans. All these factors combine to create a regulatory regime that needlessly impedes commercial real estate lending.

S. 2045 would bring much needed clarity to the HVCRE rule for lenders. It clearly defines the elements for which loans are "HVCRE ADC" and thus held to the higher risk-weight standard. It also explains several exclusions to that category, including one-to-four unit family residential properties, investments in community development or agricultural land, and certain well-capitalized loans. Taken as a whole, it clarifies and modifies the HVCRE rule to ensure that it is properly tailored, while still promoting economically responsible commercial real estate lending.

NAR thanks you for introducing this important legislation, and looks forward to working with you on its enactment.

Sincerely,



Elizabeth Mendenhall  
2018 President, National Association of REALTORS®

