

September 14, 2010

The Honorable Christopher J. Dodd  
Chairman  
U.S. Senate Committee on Banking  
Housing & Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20515

The Honorable Richard C. Shelby  
Ranking Member  
U.S. Senate Committee on Banking  
Housing & Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20515

**RE: Support for Covered Bond Legislation**

Dear Chairman Dodd and Ranking Member Shelby:

On behalf of our members in all segments of the commercial real estate market, we commend the Senate Committee on Banking, Housing & Urban Affairs for holding a hearing on legislation that would facilitate the creation of a U.S. covered bond market. A covered bond market could provide an additional source of liquidity to help raise much needed capital to fund commercial real estate loans. We welcome efforts to provide the statutory framework necessary to create a more robust covered bond market at this challenging time.

As you know, 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 communities. However, the CRE market has been greatly impacted by the recent downturn in the economy – including high unemployment, low consumer confidence and falling property values. These challenges are compounded by the fact that more than \$1 trillion in commercial mortgage loan maturities come due in the next several years (many of which face an “equity gap” between property value and loan amount), while at the same time, the commercial mortgage-backed securities (CMBS) market (which accounted for approximately 50 percent of all CRE lending in 2007) is still largely dormant.

Today, the CMBS market is showing some important signs of life, but tremendous uncertainty remains in the market, depriving 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 encourage 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 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 the CRE market at this crucial time.

Further, a covered bond market that includes commercial mortgages and CMBS as eligible collateral already exists in most European jurisdictions, which offer the appropriate and necessary regulatory treatment (including appropriate capital requirements) 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.

Although there is no single solution to revive commercial real estate and overall credit markets, it is critical that policymakers consider various measures to help revive our economy. In this regard, 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  
American Resort Development Association  
Appraisal Institute  
Building Owners and Managers Association International  
Commercial Real Estate (CRE) Finance Council  
International Council of Shopping Centers  
NAIOP, the Commercial Real Estate Development Association  
National Apartment Association  
National Association of Real Estate Investment Managers  
National Association of Real Estate Investment Trusts  
National Association of Realtors  
National Multi Housing Council  
The Real Estate Roundtable

CC: The Honorable Senator Charles Schumer  
The Honorable Senator Bob Corker