March 24, 2020

CREFC Leads Coalition to Urge Fed to Support CMBS Liquidity

March 24, 2020—Today the CRE Finance Council (CREFC) led 12 other real estate trade organizations to urge the Federal Reserve and Treasury to take immediate measures to support commercial and multifamily mortgage markets.

The joint trade letter urges the Fed to expand the recently announced Term Asset-Backed Security Loan Facility (TALF) to include agency and private-label commercial mortgage-backed securities (CMBS). The TALF program is a reboot of a 2009 crisis program aimed at providing liquidity to ABS markets by offering loans backed by highly-rated ABS. The original program included CMBS as an eligible asset class.

CREFC has been in communication with the White House, Federal Reserve, Treasury, and FHFA to address the liquidity crisis in the CMBS market. CREFC is also urging Congress to take action to support these measures.

Click here to read the letter. The recommendations are reproduced below:

1. **Expand the Term Asset-Backed Loan Facility (TALF) to prevent worsening capital-markets conditions and provide much needed liquidity.**
   
   a. New-issue and legacy agency CMBS;
   
   b. New-issue and legacy private-label conduit and single-asset single-borrower (SASB) CMBS; and
   
   c. Specific types of high-grade credit risk, such as the GSE credit risk transfer (CRT) securities.

2. **Adjust terms of TALF 2.0 to recognize current market dynamics.**
   
   a. We advise a maximum TALF loan maturity of five years or more for CMBS, which have longer durations than the other assets classes currently in TALF 2.0.
b. TALF 2.0 haircuts should be reduced relative to those that prevailed for TALF 1.0, and should range between 5% and 10%.

c. Eligibility criteria in TALF 2.0 should extend to super-senior AAA CMBS rated by one or more of the nationally recognized statistical rating agencies (NRSROs). These senior bonds makes up 70% of CMBS.

CREFC thanks the other signatories in supporting this important policy recommendation: American Council of Life Insurers; American Hotel & Lodging Association; American Seniors Housing Association; Asian American Hotel Owners Association; International Council of Shopping Centers; Mortgage Bankers Association; NAIOP, the Commercial Real Estate Development Association; Nareit; National Multifamily Housing Council; National Apartment Association; The Real Estate Roundtable; and Structured Finance Association.

The joint letter came a day after CREFC sent its own letter to the Fed, Treasury and FHFA asking they take urgent action to support CREFC members.

Click here to read CREFC’s letter from March 23.

CREFC continues to engage with members, regulators, the Administration, on Congress during the COVID-19 pandemic. Please contact Justin Ailes, Christina Zausner, or David McCarthy with questions or feedback on the ongoing impact.

About CRE Finance Council
The CRE Finance Council (CREFC) is the trade association for lenders, investors and servicers engaged in the $4.4 trillion commercial real estate finance industry. More than 300 companies and 11,000 individuals are members of CREFC. Member firms include life company and bank balance-sheet lenders, securitized lenders, alternative, high-yield lenders, loan and bond investors, private equity firms, servicers and rating agencies, among others. CREFC promotes capital formation, encouraging commercial real estate finance market efficiency, transparency and liquidity. CREFC also acts as a legislative and regulatory advocate for the industry, plays a vital role in setting market standards and provides education for market participants in this key sector of the global economy. CREFC affiliates operate in Canada, Europe and Japan. For more information, please visit our website.

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