CAPITAL & CREDIT

The Real Estate Roundtable supports efforts to promote economically responsible capital formation and sound commercial and multifamily real estate lending, employing resilient underwriting and risk management practices and rational pricing of economic risk. The Roundtable continues to urge policymakers to take action that encourages stable valuations, enhanced transparency and sensible underwriting, and support efforts to establish appropriate systemic safeguards—all key factors for a reliable credit and capital market system. As the country is working to recover from the COVID-19 pandemic, The Roundtable has been working to develop and enact measures to address the COVID-19 crisis, restore economic growth, job creation, credit capacity, capital market liquidity and better manage the business continuity risks associated with pandemics.

Advocating for Pandemic Risk Insurance

The Roundtable has been working with industry partners and policymakers through the Business Continuity Coalition (BCC). The BCC represents a broad range of business insurance policyholders – large and small – from across the American economy, employing millions of people. The goal of the BCC is to:

- Develop an insurance program that protects jobs by ensuring business continuity from future economic losses from this, or any pandemic, and other emergencies necessitating widespread closures of the economy. Such a program will enable employers to keep payrolls and supply chains intact, helping to limit job losses and furloughs, to reduce stress on the financial system, and to speed economic recovery when government-imposed limitations on operations are lifted.

Throughout the pandemic, the group has been working to develop and enact an effective federal pandemic risk/business continuity insurance program, which would provide the economy with the coverage it needs to protect American jobs and to ensure a sustainable and speedy economic recovery. The BCC continues to work to enact a federal program that provides for a transparent system of shared public and private compensation for property and casualty insurance losses resulting from a declared pandemic or outbreak of communicable disease emergency, including losses caused by government-mandated shutdowns.

RER has engaged with Congress about the need for a pandemic risk insurance program:

- On September 25, 2020, Roundtable President and CEO, Jeffrey DeBoer discussed the importance of enacting a federal pandemic risk-business continuity insurance program with Rep. Steve Stivers (R-OH), the Ranking Member on the House Subcommittee on Housing, Community Development and Insurance.

- On November 19, 2020, the BCC submitted a hearing statement for the record to The House Financial Services Subcommittee on Housing, Community Development and Insurance. The BCC recommended that all of the impacted lines of insurance, including event cancellation insurance, need to be supported with both an availability requirement and a robust federal backstop for the private insurers making the insurance available.

The BCC continues to work with policymakers, insurance stakeholders, and other policyholders to develop and enact a federal reinforcement mechanism similar to TRIA, a program Congress put in place for terrorism risk insurance following 9/11.

Urging Improvements and Extensions to the PPP

This past year, The Roundtable has supported the Payroll Protection Program (PPP) platform because it helps small businesses pay rent and keep their employees on payroll. The Roundtable submitted an 8-Point Plan to clarify and improve the Payroll Protection Program (PPP) to congressional leadership, Treasury Secretary Steven Mnuchin and Small Business Administrator (SBA) Jovita Carranzi. The Roundtable continues to urge Congressional leaders to support the PPP Extension Act of 2021, which would extend the Small Business Administration's (SBA) Paycheck Protection Program application period beyond the May 31, 2021.

Requesting Guidance on Troubled Debt Restructuring (TDR)

In March 2020, the Fed, Federal Deposit Insurance Corporation (FDIC), and other banking regulators released an Interagency Statement that encouraged banks to avoid automatically categorizing short-term loan modifications linked to the COVID-19 crisis as a Troubled Debt Restructuring (TDR). The Roundtable, alongside other prominent organizations, wrote to the National Association Insurance Commissioners on March 25, 2020 to request clarifying guidance that would relieve mortgage loan modifications linked to COVID-19 from the classification as a TDR.

In November 2020, The Roundtable alongside other prominent organizations, wrote to federal banking regulatory agencies requesting guidance on the issue of COVID-19-related loan modifications with terms totaling more than six months automatically resulting in troubled debt restructuring (TDR). The letter encouraged the agencies to reinforce that financial institutions should use their discretion when assessing credit risk in the midst of the pandemic. In the December 2020 policy memo to the Biden Administration, The Roundtable urged the Administration to direct the agencies to provide financial institutions with the additional flexibility

Federal Reserve Bank of Dallas President and CEO Robert S. Kaplan discussed current inflation trends, affordable housing, the banking industry and cryptocurrency.

they need to clarify that loan modifications up to 36 months do not result in TDRs. The March 2021 American Rescue Plan included an extension of the troubled debt restructuring (TDR) provisions that were included in the 2020 CARES Act.

Expanding America's Housing Infrastructure: Housing Finance Reform and the End of GSE Conservatorships

Over a decade after government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac were put into conservatorship, the U.S. housing finance system has still not been reformed. Furthermore, the negative economic impact stemming from the COVID-19 pandemic reduced the likelihood of meaningful GSE reform, at least until the country recovers fully. It is critical to resolve the GSE conservatorship and expand America's housing infrastructure. Housing finance reform must appropriately balance taxpayer protections with the establishment of an efficient marketplace that can provide strong and sustained mortgage liquidity in single family and multifamily markets – as well as workforce opportunities and affordable housing. In 2019, The Roundtable wrote to the leadership of the Senate Committee on Banking, Housing and Urban Affairs urging Congress to reform the nation's house finance system and the end of GSE conservatorships.

Engaging with the Treasury Department to Implement a New Benchmark once LIBOR Sunsets

The London Interbank Offer Rate (LIBOR) reference rate is set to expire at the end of 2021 (maturities will stop in June 2023). The Federal Reserve Bank of New York's Alternative Reference Rates Committee (ARRC) is working to transition to use of the Secured Overnight Financing Rate (SOFR).

In April 2021, loans backed by lodging and retail properties continue to see the greatest stress, but also the most improvement.

20.2%
Of the balance of lodging loans were delinquent, down from 20.5% a month earlier.

9.3%
Of the balance of retail loan balances were delinquent, down from 9.5% a month earlier.

1.9%
Of the balances of industrial property loans were non-current, up from 1.2% a month earlier.

2.6%
Of the balances of office property loans were non-current, up from 2.4% a month earlier.

1.7%
Of multifamily balances were non-current, down from 1.8% a month earlier.

Source: Mortgage Bankers Association; MBA's CREF Loan Performance Survey for April 2021

THE BALANCE OF COMMERCIAL AND MULTIFAMILY MORTGAGES THAT ARE NOT CURRENT DECREASED AGAIN IN APRIL 2021 TO ITS LOWEST LEVEL SINCE APRIL 2020.

95% of outstanding loan balances were current, up from 95.0% in March.	
3.2% were 90+ days delinquent or in REO, unchanged from a month earlier.	**1.1%** were less than 30 days delinquent, up from 0.9%.
0.4% were 30-60 days delinquent, down from 0.5% a month earlier.	**0.3%** were 60-90 days delinquent, unchanged from a month earlier.

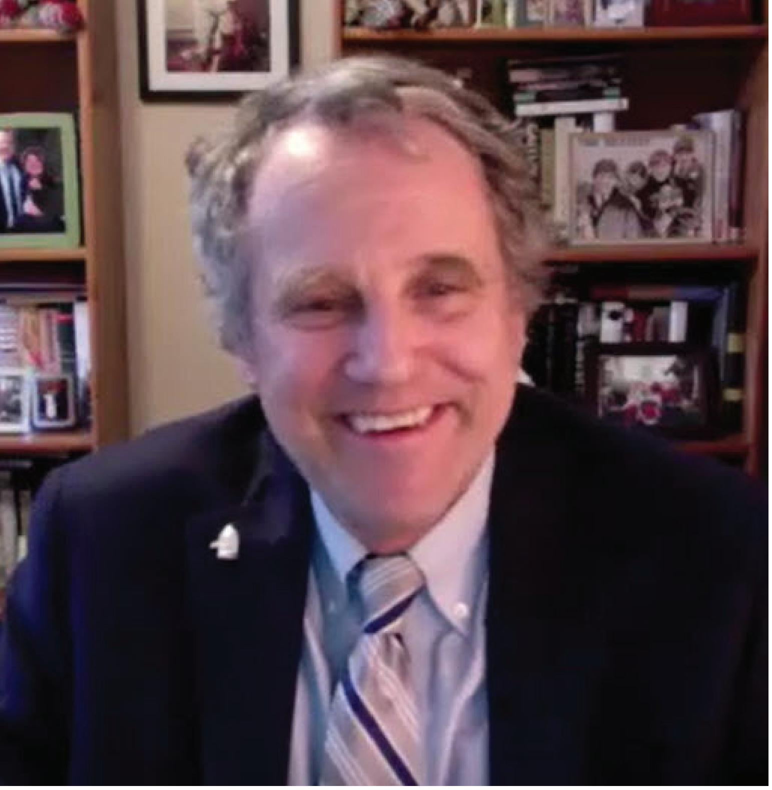
Source: Mortgage Bankers Association; MBA's CREF Loan Performance Survey for April 2021

SOFR is seen as more reliable, as it is based on interest rates in the U.S. market for repurchase agreements. The Federal Reserve is directing banks to accelerate efforts to transition away from LIBOR interest rate benchmarks, going so far as to caution that banks could be penalized if their progress is too slow.

The Roundtable has effectively engaged with the U.S. Treasury to remove potentially tax liabilities associated with the phasing out of LIBOR. In October 2019, the Treasury Department responded to The Roundtable's request for clarification on the tax consequences. The Treasury Department released proposed regulations to clarify the tax consequences of replacing LIBOR in existing financial contracts, including real estate loans. On April 6, 2021, New York was the first state to pass legislation intended to reduce risks associated with the transition away from LIBOR. The Roundtable continues to urge congress to pass legislation that addresses the transition from LIBOR and can be applied uniformly in all 50 states. On April 14, 2021, The Roundtable and 17 national trade organizations sent a letter of support for federal LIBOR legislation to the leadership of the House Financial Services Committee. The letter notes that the trillions of dollars of outstanding contracts, securities, and loans that use LIBOR for their interest rates do not have appropriate contractual language to address a permanent termination of LIBOR. The Roundtable's RECPAC's LIBOR Working Group continues to work toward the implementation of an effective, new replacement benchmark that does not impair liquidity, needlessly increase borrowing costs or cause market disruptions.

Supporting CRBs Protections by Engaging with Congress on Cannabis Policy

The Real Estate Roundtable is a long-standing supporter of the Secure and Fair Enforcement (SAFE) Banking Act (H.R. 1996), and the bill passed the House on March 18 by a vote of 321-101.



Sen. Sherrod Brown (D-OH) who serves as Chairman of the Senate Banking, Housing and Urban Affairs Committee, outlined the committees efforts to address the affordable housing crisis throughout the nation.

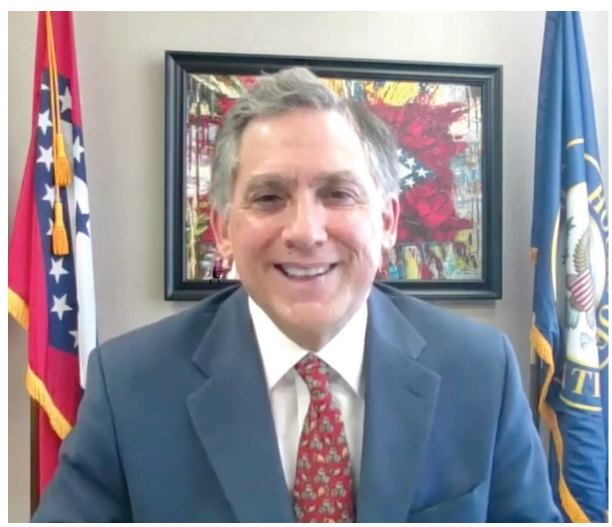
The Roundtable is one of the business groups supporting the measure in the 117th Congress, along with Governors from 21 states and territories. In 2019, The Roundtable wrote to congress urging Congress to pass the SAFE Act, which would allow federally regulated banks to provide mortgage and financial services to state-licensed, cannabis-related businesses ("CRBs") without the threat of federal penalties. The Roundtable continues to press Congress to provide fuller protections to real estate business through legislation that clarifies state-compliant cannabis transactions are not illegal – and do not produce unlawful proceeds under money laundering statutes.

NFIP to Sunset Sept. 2021

Floods are the most common and most destructive natural disaster in the U.S., and there is limited private market capacity. The National Flood Insurance Program (NFIP) aims to reduce the impact of disasters by promoting the purchase and retention of general risk insurance, but also of flood insurance, specifically.

The NFIP was scheduled to sunset in 2018, but the program has been temporarily extended until Sept. 30, 2021 under various short -term extensions Congress has approved since 2017. As policymakers continue to debate potential changes and improvements to the program, their challenge is to find a balance between improving the financial solvency and structural components of the program, while reducing taxpayer exposure and addressing affordability concerns. It is also critical to better utilize the resources already put toward coastal communities to mitigate future harm.

The Roundtable and its partner associations support a long-term reauthorization and reform of the NFIP that help property owners and renters prepare for and recover from future flood losses.



Rep. French Hill (R-AR) serves on the influential House Financial Services Committee, and is the Ranking Member of the Subcommittee on Housing, Community Development and Insurance.