

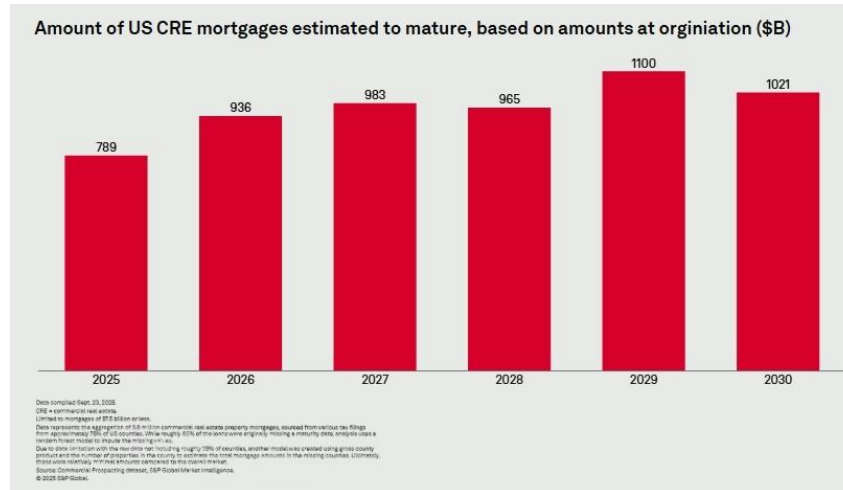


# The Real Estate Roundtable

## Addressing the Wave of Maturing CRE Debt and Pro-Cyclical Regulatory Policy

### Capital and Credit

## Summary



Source: S&P Global

Nearly \$983 billion of U.S. commercial real estate mortgages are estimated to mature in 2027. To help rebalance the wave of maturing loans, it is important to advance measures that will encourage additional capital formation and loan restructuring.

As urged by RER, a policy statement—[Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts](#)—issued by regulatory agencies encouraging financial institutions to work constructively with creditworthy borrowers on CRE loan workouts is helping to see loans through the current environment. Many of these loans require additional equity, and borrowers still need time to restructure this debt. Capital formation is vital to help restructure maturing debt and fill the equity gap. It is also important to avoid pro-cyclical regulatory actions.

## Key Takeaways

- Providing banks with the flexibility to work constructively with their borrowers during times of economic stress has led to **billions of dollars of loan restructurings and reduced undue stress in bank loan portfolios**.
- The largest U.S. banks' capital and liquidity levels have grown dramatically since the original *Basel III* standards were implemented in 2013 in response to the 2008 Global Financial Crisis. **Since 2009, Tier 1 capital has increased by 56 percent and Common Equity Tier 1 capital has tripled.** Today, as the Federal Reserve recently observed, the U.S. "banking system is sound and resilient, with strong capital and liquidity."<sup>2</sup>

## Background

### Basel III Endgame

- The original *Basel III Endgame* proposal would have increased capital requirements for the largest banks by as much as 20 percent—carrying significant economic cost without clear benefits to the economy.

<sup>2</sup> <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf>



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- Based on the resounding opposition to the proposal from industry participants, U.S. banking regulators have formally rescinded the original 2023 *Basel III Endgame* proposal and issued a significantly revamped re-proposal. This new version represents a "Mulligan" that shifts away from broad, punitive capital increases toward a more risk-sensitive framework designed to keep lending within the regulated banking system.
- On March 19, 2026, the Federal Reserve, FDIC, and OCC jointly introduced three new proposals to modernize bank capital rules. While the 2023 version proposed a 16-19 percent increase in capital, the 2026 re-proposal is estimated to actually reduce overall system-wide capital requirements by approximately \$87.7 billion:
  - GSIBs (Category I & II): Estimated ~4.8 percent reduction in Common Equity Tier 1 (CET1) requirements.
  - Large Regional Banks (Category III & IV): Estimated ~5.2 percent reduction.
  - Small Banks: Estimated ~7.8 percent reduction

## Recommendations

**Take a Balanced Approach to Setting Capital Requirements:** The re-proposal is viewed by many industry participants as a "pivotal step" toward a more balanced approach for both residential and commercial sectors.

- The new rules aim to lower the high capital charges originally proposed for CRE loans, which experts previously feared would cause a severe credit squeeze.
- By lowering the "cost of capital" for banks, the rules make it more attractive for them to hold CRE assets on their balance sheets, aiding owners who need to refinance maturing debt.
- For residential real estate, the re-proposal adopts more granular risk weights based on Loan-to-Value (LTV) ratios, lowering capital requirements for many mortgages and encouraging banks to remain active in home lending.
- The requirement to deduct Mortgage Servicing Assets (MSAs) from capital has been removed and replaced with a flat 250 percent risk weight, incentivizing banks to keep mortgage servicing in-house rather than offloading it to non-banks.
- The framework now prioritizes alignment with international standards while tailoring rules to U.S. market realities, such as recognizing private mortgage insurance as a credit enhancement.
- The public comment window is open until June 18, 2026. RER is working on its submission and welcomes member input.

**Support Robust Capital Formation:** Additional capital is called for to help restructure and transition the ownership and refinancing of commercial real estate from a period of low rates to a time of higher rates. Enacting policies that will encourage robust capital formation is imperative.