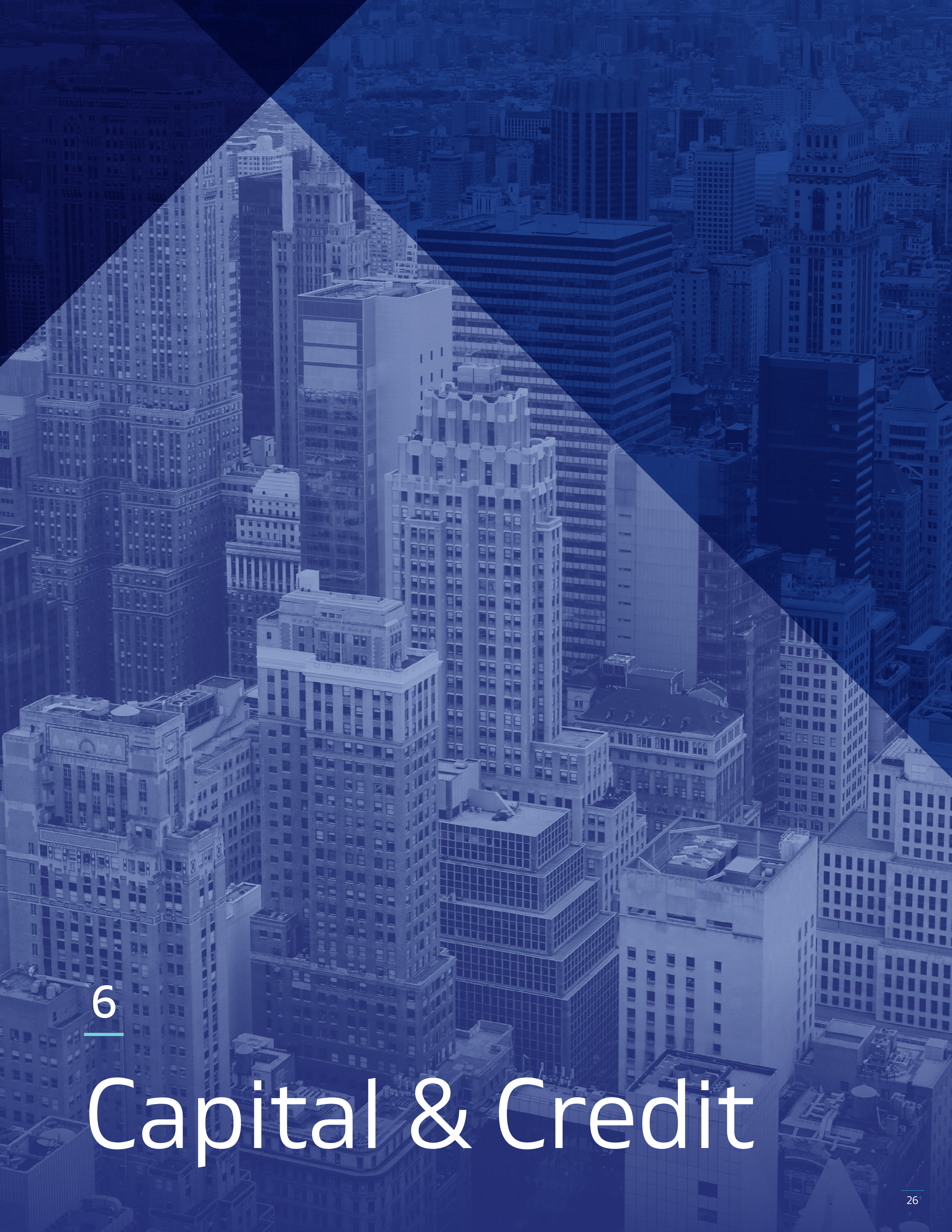

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Capital & Credit

Fostering stable credit capacity and robust capital formation is essential to the commercial real estate industry.

RER supports constructive national policy measures that encourage reliable credit capacity and capital formation, minimize regulatory burden, address rising insurance costs, and reform barriers to foreign investment.

Recent tariff policies have raised economic uncertainty and financial market volatility, creating challenges for long-term investment in real estate.

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

The U.S. commercial real estate sector faces a major refinancing challenge in 2025, with more than $950 billion in commercial real estate mortgages scheduled to mature this year. These loans, many of which originated during a period of historically low interest rates, must now be refinanced in a very different environment—marked by higher rates and lower values.

To help rebalance the wave of maturing loans, it is important to advance measures that will encourage additional capital formation and loan restructuring and avoid pro-cyclical regulatory actions such as the *Basel III Endgame*.

The original *Basel III Endgame* proposal would have increased capital requirements for the largest banks by as much as 20 percent. A revised *Basel III Endgame* proposal announced in September 2024 would increase Tier 1 capital requirements for global systemically important banks by roughly 9 percent.

Chair of the House Financial Services Committee French Hill (R-AR) spoke to RER's Joint Real Estate Capital Policy Advisory Committee (RECPAC) and Research Committee on his policy priorities for the 119th Congress.

Concerns remain that any increase in capital requirements will have a pro-cyclical impact on credit capacity and carry a cost to commercial real estate and the overall economy, increasing the cost of credit and constraining capacity.

Over the past year, RER has collaborated with partner organizations to oppose *Basel III Endgame*, requesting that regulators withdraw it entirely.

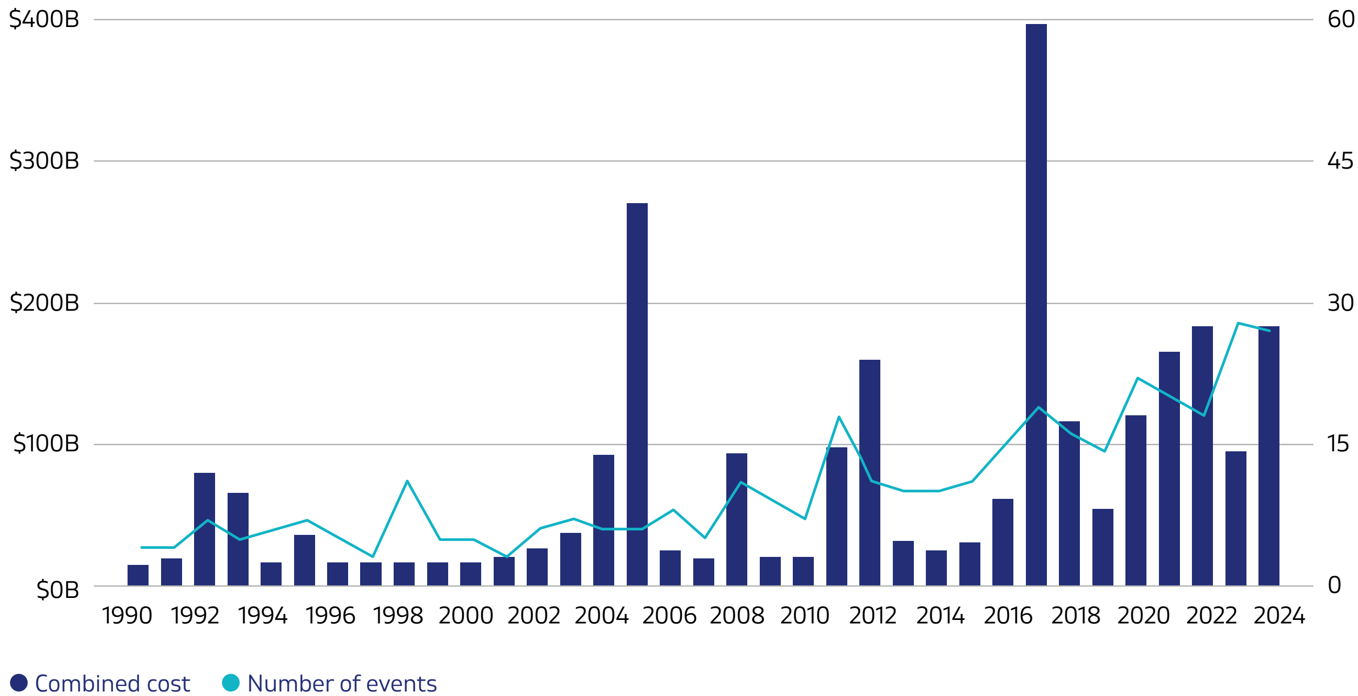
With the appointment of a new Vice Chair for Supervision at the Fed this year, there is speculation that *Basel III Endgame* could ultimately be withdrawn or revised to be capital neutral. We remain committed to raising industry concerns around the negative impact of this proposal, and we also encourage additional measures to promote constructive loan restructuring and new lending on solidly underwritten assets.

The recent proposal by U.S. banking agencies to modify the Enhanced Supplementary Leverage Ratio (eSLR) could have a positive impact on commercial real estate lending by potentially freeing up bank capital, reducing funding costs, and increasing credit capacity. RER plans to submit comments on this proposal.

Commercial Insurance Coverage in an Evolving Threat Environment

This past year has seen escalating threats from natural disasters. In 2024, the U.S. witnessed no less than 27 billion-dollar natural disasters, and in early 2025, the Los Angeles wildfires devastated more than 16,000 homes and other structures. It's estimated to be the costliest natural disaster in U.S. history.

Billion-Dollar Disaster Events in the U.S. (CPI-Adjusted)[18]



Source: NOAA National Centers for Environmental Information

As a result of growing natural catastrophe risks, insurance premiums have skyrocketed and coverage gaps have widened, creating a significant challenge for U.S. commercial real estate and many other industries. Without adequate coverage, the vast majority of losses from natural disasters are likely to be absorbed by policyholders, and communities, businesses, and economic growth will be harmed.

The National Flood Insurance Program (NFIP), first enacted in 1968, addresses insurance risks from floods—a common and costly natural peril in the U.S. However, congressional hearings have illuminated numerous acute problems surrounding the NFIP, including issues with rising costs and insolvency. The NFIP has also been operating under a series of continuing resolutions since 2017 and is set to expire at the end of September without congressional reauthorization.

Additionally, while lenders typically require base NFIP coverage for properties in high-risk flood zones, the NFIP's low commercial limits make it problematic for most commercial building owners. Changes to permit certain private issue insurance policies to satisfy the NFIP's "mandatory purchase requirement" for some properties would increase private market participation and help address coverage issues.

RER, along with its industry partners, is working with policymakers to enact a long-term reauthorization of an improved NFIP that helps property owners and renters prepare for and recover from future flood losses.

At RER's Spring Roundtable Meeting, Rep. Bill Huizenga (R-MI), vice chair of the House Financial Services Committee, shared his insights on priorities such as affordable housing access, National Flood Insurance Program (NFIP), and Terrorism Risk Insurance Act (TRIA).

Beneficial Ownership & Corporate Transparency Act

In March 2025, the Treasury Department announced it would suspend enforcement of the Corporate Transparency Act (CTA) against U.S. citizens and domestic reporting companies—a major development. The decision followed mounting pressure from legal challenges. RER, our partner organizations, and other industries have long warned that the CTA's expansive scope would impose heavy compliance burdens on real estate businesses.

Enacted in 2021 to deter money laundering and other illicit financial activities, the CTA requires many U.S. businesses to report detailed information about their "beneficial owners"—individuals who own or control at least 25 percent of an entity or indirectly exercise "substantial control" over it—to the Financial Crimes Enforcement Network (FinCEN). The law places many costs and legal burdens on small businesses, especially commercial property investors and developers.

With enforcement suspended, the Treasury indicated that it would issue a new proposal narrowing the scope of the rule to foreign reporting companies only. RER has worked in coordination with a broad coalition of industry groups to highlight the unintended consequences of the law, and welcomes this shift. The real estate industry needs clear rules and balanced implementation that achieves law enforcement goals without placing unfair burdens on law-abiding businesses.

RER will help members stay current on this important issue and plans to comment on the proposed rulemaking after it is released.

Real Estate Capital Formation

In 2023, the Securities and Exchange Commission (SEC) proposed *Safeguarding Advisory Client Assets*, which would significantly expand the requirements of the Custody Rule to maintain client assets with a qualified custodian for certain physical assets such as real estate.

Originally designed for digital assets, there is no clear policy reason why this rule should apply to real estate. Due to a variety of factors, real estate cannot be readily stolen, making the rule seem irrelevant to this asset class. As such, RER has submitted a comment letter to the SEC requesting an exception for real estate.

In a promising development, the U.S. Fifth Circuit Court of Appeals issued an opinion in 2024 that vacated the SEC Private Fund Adviser Rules, holding that the SEC exceeded its statutory authority in adopting the rule. Meanwhile, Paul Atkins, the new SEC Chair, is widely expected to withdraw or substantially revise the Custody Rule proposal.

RER continues to press for clear, sensible rules for real estate and remains actively engaged with SEC officials to ensure future rulemakings reflect the unique characteristics of real assets and the vital role they play in the U.S. economy.

Expanding on the EB-5 Visa with the "Gold Card" Concept

A proposal by the Trump administration to create a new "Gold Card" program—whereby foreign nationals would gain U.S. legal residency with a path to citizenship in exchange for $5 million—has reenergized the debate over investor-based immigration. In an address to a joint session of Congress, President Trump offered the Gold Card concept as a way to attract talented, high-net-worth investors and individuals to the U.S. President Trump has also raised the idea as a way to create a new revenue source to reduce the national debt.

We support a modernized approach to immigration that leverages both the Gold Card and the longstanding EB-5 Visa program, which has delivered $350 billion in economic impact and created over 1.5 million American jobs—at no cost to taxpayers. The EB-5 Visa, first established in 1990, has proven to be a successful job creation program that attracts overseas investors and provides capital for economic development projects in the U.S. Recent reforms to the program under the EB-5 Reform and Integrity Act in 2022 brought enhanced accountability and transparency, with increased incentives for directing capital toward rural areas, high-unemployment census tracts, and infrastructure development.

Together, EB-5 and the Gold Card represent a once-in-a-generation opportunity to attract foreign capital that can invest in large-scale, high-impact projects across the country. In March, RER sent a letter to Commerce Secretary Howard Lutnick expressing support for the "Gold Card" proposal in conjunction with the existing EB-5 program. RER will continue to work with Congress and the administration to ensure that immigration policy remains a tool to strengthen the U.S. economy, bring global capital and top-tier talent to our nation, and finance critical infrastructure in the years ahead.