

Addressing The Credit Crisis



By Real Estate Roundtable, July 17th, 2009

First Round of TALF for "Legacy" CMBS Generates \$668 Million in Loan Requests - "An Important Beginning," Says Real Estate Roundtable, Urging TALF Extension Until 2010

As Washington policymakers grow increasingly concerned about conditions in the commercial real estate sector and their potential to delay economic recovery, the Federal Reserve Bank of New York (FRBNY) yesterday began accepting investor requests for loans under the Term Asset-Backed Loan Facility (TALF) to help finance purchases of pre-2009 ("legacy") commercial mortgage-backed securities (CMBS).

Investors yesterday requested a total of \$668 million in loans collateralized by legacy CMBS. Although no loans were requested for newly issued CMBS for the second month in a row (this portion of the program became eligible under TALF on June 16), market observers are generally not surprised, given the long lead time needed to put together and package new commercial mortgages into securities.

A July 16 Bloomberg report said efforts to get this portion of the program off the ground are also being "hampered as lenders balk at originating new loans with no way to guard against price swings on the debt. Building a pipeline of commercial mortgages to bundle and sell as securities takes several months, and banks are unwilling to risk holding them on their books without a means to protect themselves from price declines."

"This is an important beginning," Real Estate Roundtable President and CEO Jeff DeBoer said regarding investor interest in the July 16 legacy CMBS loan facility. Testifying on Capitol Hill

last week, he urged policymakers to extend TALF beyond this year (until year-end 2010), noting the long lead time needed to put together CMBS issuance deals.

"TALF must be given time to work," DeBoer asserted. Joint Economic Committee Chair Carolyn Maloney (D-NY), who chaired the hearing, added that TALF's scheduled expiration on Dec. 31 may shortcut the program's effectiveness "just as it begins to ramp up" (Roundtable Weekly, July 10).

Bloomberg yesterday reported that Standard & Poor's has begun to downgrade top-ranked CMBS, disqualifying these securities from TALF's legacy financing program. S&P reportedly may lower ratings on as much as \$235.2 billion worth of CMBS bonds.

In addition to extending TALF to 2010, The Roundtable urges the following policy steps to begin restoring liquidity to the commercial real estate sector:

1. Creating a federal program to encourage origination of new commercial real estate loans
2. Encouraging banks to extend performing loans that are maturing
3. Clarifying (through Treasury guidance) the process for negotiating and modifying commercial real estate loans that have been securitized
4. Modifying or repealing tax policies that inhibit foreign equity investment in U.S. real estate (e.g., the Foreign Investment in

Real Property Act of 1980 (FIRPTA))

5. Extending the carry back period for net operating losses (NOL) to five years and all businesses

6. Rejecting proposals that would harm real estate investment and job growth -- in particular, House legislation to dramatically raise taxes on real estate partnership "carried interest."

Deutsche Bank analyst Richard Parkus, who also testified at the July 9 Joint Economic Committee hearing, says commercial real estate values have dropped more than 40% nationwide since 2007, with some sectors (like office buildings in Manhattan) especially troubled (Forbes, June 24).

DeBoer warned that falling property values will hurt local government budgets and force cutbacks in essential public services. Local governments depend on residential and commercial property assessments for nearly 70% of annual revenues.

Earlier this year, as Fed officials worked on plans to roll out "TALF 2.0", key industry voices, including The Roundtable, argued that a five-year loan period was critical to ensuring investor participation, given the traditionally longer time period for commercial mortgages.

For questions about this eNewsletter, please contact The Roundtable's Xenia Jowyk or Scott Sherwood at rweekly@rer.org



NORTH TEXAS

Monthly Sales Tax Revenue

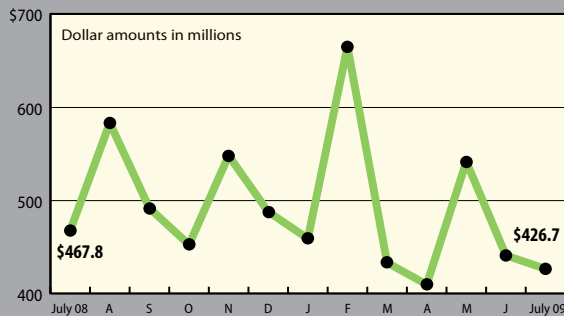
Excerpts from July 10, 2009 release by Susan Combs, Texas Comptroller of Public Accounts



Susan Combs Texas Comptroller of Public Accounts

Local Governments Sales Tax Allocations

Local governments will receive \$426.7 million in July 2009 sales tax allocations, down 8.8 percent compared to July 2008.



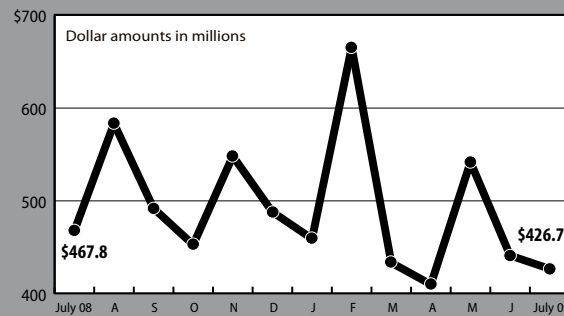
Source: Susan Combs, Texas Comptroller of Public Accounts.



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