CRE Finance Council®
The Voice of Commercial Real Estate Finance

February 6, 2014

The Honorable Janet L. Yellen
Chairman, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Mary Jo White
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Thomas J. Curry
Comptroller of the Currency
U.S. Department of the Treasury
250 E Street, SW
Washington, DC 20219

The Honorable Jacob J. Lew
Secretary
United States Department of the Treasury, and
Chairman, Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Single Borrower Single Credit Disclosure Framework Proposed Rule, Credit Risk Retention OCC Docket No. 2013-0010; Federal Reserve Docket No. R-1411; FDIC RIN 3064-AD74; SEC File No. S7-14-11; FHFA RIN 2590-AA43

Ladies and Gentlemen:

On October 30, 2013, the Commercial Real Estate Finance Council ("CRE Finance Council" or "CREFC") submitted its comments on the proposed rule for credit risk retention for asset-backed securities,[1] which was jointly published by your respective agencies (collectively, the "Agencies") pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.[2]

[1] Proposed Rule, Credit Risk Retention, 78 Fed. Reg. 57928 (Sept. 20, 2013) (hereafter, "NPR" or "Proposed Rule").

[2] Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), Pub. L. No. 111-203, §941(b), 124 Stat. 1376, 1896 (2010) (creating Securities Exchange Act § 15G (i)(2)).

As part of those comments, we advocated for an exemption for Single Borrower/Single Credit ("SBSC") transactions,[3] and in our conversations with the Agencies, we agreed to provide a disclosure regime to ensure these transactions are transparent and to recommend a minimum deal size to which the exemption could attach. With respect to the minimum deal size, there is a strong consensus across both the issuers and the investors that $200 million is an appropriate threshold for the exemption. With respect to the requisite disclosure, there also is a strong consensus supporting the disclosure framework summarized in the attachments; we also developed proposed draft regulatory language that would implement that regime which is attached, as well. The process we used to develop these consensuses and the underlying logic for the proposals are discussed below.

The CRE Finance Council is the collective voice of the entire $3.1 trillion commercial real estate finance market. Its members include all of the significant portfolio, multifamily, and commercial mortgage-backed securities ("CMBS") lenders; issuers of CMBS; loan and bond investors such as insurance companies, pension funds, specialty finance companies, REITs and money managers; servicers; rating agencies; accounting firms; law firms; and other service providers.[4] Our industry plays a critical role in the financing of office buildings, industrial complexes, multifamily housing, retail facilities, hotels, and other types of commercial real estate that help form the backbone of the American economy.

One topic of discussion with Agencies' staff related to our comments surrounding SBSC transactions, in which we advocated for an exemption for such deals. Given that these transactions only involve one loan, and that historically, there has been no role for B-Piece Buyers, the CRE Finance Council believed that they should be treated differently that those transactions requiring risk retention. Additionally, for SBSC transactions, transparency is extremely high because granular loan details are reported to potential investors; and their loss experience has been exceedingly low – well below that of conduit CMBS and other asset classes – and has been more on par with non-securitized corporate bonds. There was a strong consensus among all CRE Finance Council members – including a majority consensus among the Investment-Grade Investors ("IG Investors") whom the retention rules are designed to protect – that these SBSC deals do not present the issues that the Proposed Rule is intended to address and therefore should be completely exempt from the risk retention rules.

In order to ensure such transparency that inherently creates low risk transactions, we are providing the attached regulatory language that constructs a disclosure regime for SBSC transactions. As with our original comments, the CRE Finance Council developed this language in consultation and with the input of various constituencies.[5] The result is a proposed disclosure

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[3] *See* Letter from CREFC to the Agencies (Oct. 30, 2013), at Part B.1, Page 13 (on file with the Agencies) ("Comment Letter").

[4] A complete CRE Finance Council Membership list is attached to the CREFC Comment Letter at Appendix 12.

[5] As explained in the Comment Letter, the CRE Finance Council operates member forums that are organized around each of our core market constituencies: IG Investors; B-Piece Investors; Issuers; Servicers; High Yield Investors; and Portfolio Lenders. The process of soliciting input from these forums is overseen and moderated

regime that has the support of the entire CMBS industry, including the investors that would be party to these SBSC transactions.

The regime was developed to address the concern that while there is disclosure in the 144A market, there should be a mandatory disclosure regime in place in order for SBSC transactions to be exempt from the risk retention rules. There are three pillars to this proposed disclosure regime. First, the disclosure requirements of a public CMBS offering shall be met, and the offering document must provide various disclosures, including:

(i) A summary of the material terms of the loan documents;
(ii) A description of the property or properties;
(iii) A description of the borrower, the borrower sponsorship and guarantors, and related ownership structure;
(iv) A summary of any material property management agreement, franchise agreement, and ground lease;
(v) A description of any material mezzanine, other subordinate debt, or preferred equity; and
(vi) An identification of material risk factors related to the loan or loans and the property or properties.

Second, the qualified investor will be entitled, upon request, to receive various additional information, including:

(i) Third party reports (i.e. appraisals, environmental reports, and engineering/building condition reports);
(ii) All loan documents, including the loan agreement, promissory note, cash management agreement, mortgage/security agreement, and property management agreement; and
(iii) Copies of financial statements.

Third, the proposed regime provides for a system of ongoing reporting, which would include the monthly CREFC Investor Reporting Package ("IRP") applicable to the transaction. As can be seen in the attachments, the IRP is a comprehensive document consisting of historical and current data, specific informational reports, and loan files.

Finally, in response to staff concern that very small SBSC deals could be used as a way to elude the applicability of the core retention regime, the CRE Finance Council is proposing a $200 million minimum deal size to qualify for the exemption in order to alleviate that concern.

The CRE Finance Council appreciates the amount of effort and work the Agencies have put forth in the development of the Proposed Rule, and in preparation of conversations about our Comment Letter. We have always valued the opportunity to work with the Agencies to further explain our ideas and to alleviate any concerns the Agencies may have with those ideas. The

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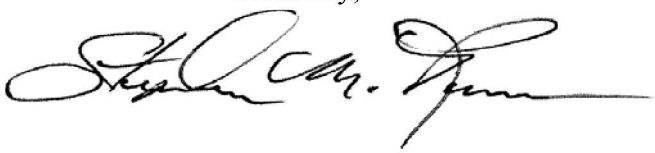
by the CRE Finance Council's Policy Committee, which is comprised of the leaders of each of the forums and certain members of CRE Finance Council's Executive Committee.

attached SBSC transaction disclosure regime should alleviate any concerns with exempting these deals from the risk retention framework, and we are happy to discuss at your convenience.

Sincerely,



Stephen M. Renna
President & CEO
CRE Finance Council

cc: The Honorable Shaun Donovan
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