

National Policy Bulletin



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OBAMA ADMINISTRATION'S FINANCIAL STABILITY PLAN EXTENDS LENDING INITIATIVE TO COMMERCIAL REAL ESTATE

Treasury Secretary Timothy Geithner announced today the outline of the Obama Administration's long-awaited "Financial Stability Plan." Secretary Geithner emphasized that the full arsenal of the Federal Government will be deployed to attack the credit crisis on all fronts. The new Treasury Secretary stated that "unless we restore the flow of credit, the recession will be deeper and longer, causing even more damage to families and businesses across the country."

The four main components of the Financial Stability Plan include: 1) initiation of a Consumer and Business Lending Initiative in partnership with the Federal Reserve, amounting to up to \$1 trillion, to kickstart the secondary lending markets to bring down borrowing costs and to help get credit flowing again to a range of assets, including specifically commercial real estate; 2) a newly established Financial Stability Trust that will provide a new funding mechanism for financial institutions in need that uses funds from the U.S. Treasury as a bridge to private capital; 3) the establishment of a Public-Private Investment Fund, amounting to \$500 billion and perhaps \$1 trillion, that will provide government capital and financing to help leverage private capital to get private markets working again by acquiring legacy financial assets; and, 4) launch of a comprehensive housing program to be announced by President Obama in the coming weeks.



In concept, the Consumer and Business Lending Initiative announced by Geithner is a significant broadening and deepening of the previously-announced Term Asset-Backed Securities Loan Facility, or TALF. The TALF, set to debut by the end of the month, will use \$20 billion of TARP funds leveraged through \$180 billion from the Federal Reserve, to provide \$200 billion of non-recourse financing to investors in new consumer and small business debt securities. The Consumer and Business Lending Initiative will grow this program to up to \$1 trillion of lending, soon to be available to investors in commercial real estate mortgage-backed securities rated AAA representing newly originated and underwritten commercial real estate mortgages.

For the past months, NAREIT has advocated that one of the best ways to revive the commercial real estate credit market was by expanding the TALF program to include commercial real estate. To that end, NAREIT met with the Treasury Department, the Federal Reserve, the FDIC, the OCC, and the Council of Economic Advisors, as well as Members of Congress.

With today's announcement by the Treasury Department, NAREIT intends to provide whatever assistance is necessary and appropriate to assist Treasury and Federal Reserve officials to pursue the full and timely implementation of the commercial real estate component of the Consumer and Business Lending Initiative. [CLICK HERE](#) for NAREIT's press release issued today in support of the Financial Stability Plan.

NAREIT's dialogue with policymakers with respect to the importance of reviving the commercial real estate mortgage-backed securities market came about through the decision made by NAREIT's Executive Committee and Board of Governors at the 2008 NAREIT Annual Convention to focus first and foremost on this particular initiative.

NAREIT has additional credit crisis initiatives underway to deal with legacy loan restructuring, refinancing of performing loans, new credit needs and recapitalization through new equity investment.

In short, we seek:

- 1) Accommodation of current conditions under the cancellation of indebtedness tax rules (the stimulus bill passed by the Senate earlier today contains a provision which permits deferral of income taxes [for one or two years] triggered when debt is bought back for cash at a discount).
- 2) Modification or repeal of the Foreign Investment in Real Property Tax Act to encourage equity real estate investment.
- 3) Amendment of the REMIC (real estate mortgage investment conduit) rules to ensure that workouts of existing CMBS debt may be undertaken on sensible terms and conditions.

4) Assurance that Fannie Mae and Freddie Mac will continue to finance multifamily and senior housing real estate.

5) Regulatory guidance from banking supervisors to assist the renewal of performing loans.

NAREIT will continue to keep you posted on further developments related to the Obama Administration's Financial Stability Plan and, more specifically, the Consumer and Business Lending Initiative which Secretary Geithner noted today is a "core component of the Financial Stability Plan."

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