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April 2, 2020

VIA ELECTRONIC SUBMISSION

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Mr. Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7 P.O. Box 5116
Norwalk, CT 06856-5116

Re: Uniform CECL Treatment for All Registrants

Dear Chairmen Clayton and Golden:

As you know, in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)¹, Congress deferred the implementation date of the current expected credit losses (CECL) accounting standard issued by the Financial Accounting Standards Board (FASB) with respect to regulated financial institutions until the earlier of (i) the end of the national COVID-19 related emergency under the National Emergencies Act; or (ii) December 31, 2020. On behalf of Nareit, I am writing to urge you apply this deferral uniformly across all affected entities owning similar assets to ensure reporting parity.

Nareit is the worldwide representative voice for real estate investment trusts (REITs)² and publicly-traded real estate companies with an interest in U.S. real estate and capital markets. Nareit's members are REITs and other real estate businesses throughout the world that own, operate and finance residential and commercial real estate. Mortgage REITs (mREITs), which invest in residential and commercial mortgages, as well as residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), help provide essential capital for the real estate market not provided by traditional bank holding companies. The capital formation facilitated by publicly-traded mREITs proved to be a critical source of finance during previous periods of credit distress.

Congress provided banks and their affiliates who lend to the real estate sector and other business with relief from CECL accounting implementation, recognizing that financial companies require flexible

¹ Pub.L.116-136, 116th Congress (Mar. 27, 2020).

² REITs are real estate working for you. Through the properties they own, finance and operate, REITs help provide the essential real estate we need to live, work and play. All U.S. REITs own approximately \$3 trillion in gross assets, public U.S. REITs account for \$2 trillion in gross assets, and stock-exchange listed REITs have an equity market capitalization of over \$1 trillion. In addition, more than 80 million Americans invest in REIT stocks through their 401(k) retirement and other investment funds. Additional information available at www.reit.com.



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implementation of CECL accounting to cope with this unprecedented crisis. However, the non-bank financial companies that are excluded from relief under this section are confronting precisely the same challenges as those covered by this provision. In most cases they hold similar, if not identical assets and have similar or even common investors. Accordingly, we request that the FASB and the Securities and Exchange Commission (SEC) issue guidance to provide the CECL accounting flexibility to all financial entities, including all mREITs that are currently subject to the CECL standard.

The implications of departing from the foundational principle of GAAP accounting—accounting for similar assets in the same manner—during this period cannot be overstated. Disparate application of the CECL relief under these circumstances would result in comparable financial entities facing the same macro-economic conditions applying different loss reserve methodologies for similar, or identical assets. This would be fundamentally confusing to investors and other market participants during a period of market volatility and would likely exacerbate market stress and dislocations.

The new CECL model requires registrants to estimate expected credit losses over the contractual life of the financial asset. In order to develop the estimate, registrants are required to consider reasonable and supportable forecasts of future economic conditions, in addition to information known about past events and current market conditions. Implementing the new CECL model for the first time during economic conditions that can only be described as unprecedented in the modern era will be inevitably imprecise due to the fact that none of us knows how long the national emergency will last. This could result in a wide disparity of CECL reserves for similar assets and/or an excess of reserves in response to the recent shock to our global economy while many market participants assume various forms of worst-case scenarios.

Moreover, permitting this disparate treatment would inevitably constrain the ability of non-financial lenders to provide loans to families and businesses across the economy at a perilous time. Nareit's member mREITs, no less than other financial entities, require flexibility to constructively address the impact of COVID-19 on commercial and multifamily property tenants, owners and investors. Accordingly, we respectfully request that the FASB and the SEC take steps necessary to ensure that CECL relief be permitted to all financial entities, both banks and non-banks alike.

We appreciate the relief that the SEC has provided companies with additional time to complete filings for Q1 2020. Additionally, we appreciate the efforts that FASB has already exerted with respect to relief from troubled debt restructurings to address these unprecedented circumstances to support families, businesses and financial companies. We urge the SEC and FASB to take additional steps to ensure that CECL relief reaches all financial companies confronting this crisis on a parity basis.

We hope that the SEC and FASB will look to Nareit as a resource as it moves forward on this and related initiatives to address the COVID-19 crisis. Please do not hesitate to contact me, (swechsler@nareit.com or (202) 739-9406), Victoria Rostow, SVP, Regulatory Affairs & Deputy General Counsel



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(vrostow@nareit.com, or (202) 739-9431), or Christopher Drula, SVP, Financial Standards
(cdrula@nareit.com or (202) 739-9442).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. A. Wechsler".

Steve Wechsler
President & CEO
Nareit