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August 2, 2017

The Honorable Robert Pittenger
U.S. House of Representatives
Washington, D.C. 20515

The Honorable David Scott
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Pittenger and Scott:

On behalf of the more than 5,800 community banks represented by ICBA, I write to thank you for introducing the Clarifying Commercial Real Estate Loans Act (H.R. 2148), which alleviates a misguided provision of Basel III that, left unaddressed, will curb lending for needed development projects.

H.R. 2148 is designed to provide relief from punitive new capital charges for loans for acquisition, development, and construction of commercial projects classified as high-volatility commercial real estate (HVCRE) loans. Under Basel III, these loans are risk weighted at 150 percent for the determination of regulatory capital, compared to 100 percent before Basel III – unless the borrower can contribute at origination 15 percent of the projected appraised value of the project upon its completion in cash or readily marketable assets. This is an unreasonably high bar for a borrower to meet. The borrower must also commit to tying up that capital for the life of the project.

H.R. 2148 would amend the borrower-contribution standard by allowing a lender to consider the appreciated value of land, as opposed to its historic value, in determining whether a developer has contributed enough capital to avoid the 150 percent risk weight requirement. By easing application of the new rule, H.R. 2148 would facilitate community bank lending to credit worthy projects that would promote local economic development and job creation.

Thank you for introducing H.R. 2148. We look forward to working with you to advance this important legislation.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the House Committee on Financial Services

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