

November 28, 2012

The Honorable Shelley Moore Capito
Chairman
Subcommittee on Financial Institutions
and Consumer Credit
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Carolyn B. Maloney
Ranking Member
Subcommittee on Financial Institutions
and Consumer Credit
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Judy Biggert
Chairman
Subcommittee on Insurance, Housing
and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Luis V. Gutierrez
Ranking Member
Subcommittee on Insurance, Housing
and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen Capito and Biggert and Ranking Members Maloney and Gutierrez:

The undersigned organizations, institutions and nonprofits interested in fostering entrepreneurship represent hundreds of thousands of businesses, small and large, and their professionals, from all sectors of the economy employing tens of millions of Americans. As the House Committee on Financial Services Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Insurance, Housing and Community Opportunity (“Subcommittees”) hold a hearing examining the impact of the proposed rules to implement Basel III Capital Standards (“Basel III”), our organizations would like to draw your attention to the unintended consequences of Basel III upon non-financial businesses.

We understand and support the need to develop and implement appropriate policies to prevent failures that led to the 2008 financial crisis. The financial regulators currently have a number of major initiatives underway including but not limited to: Basel III; the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) including the Volcker Rule, derivatives end-user exemption, systemic risk regulation, and mortgage lending reforms (risk retention and ability to repay); potential money market fund reforms; and the accounting convergence projects. Individually and collectively these initiatives have direct impacts upon the ability of non-financial businesses to mitigate risk and raise the capital needed to expand and create jobs. In considering the implementation of Basel III, we believe that the Federal Reserve Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency have failed to consider the impacts of Basel III upon Main Street businesses and how Basel III interacts or conflicts with these other initiatives.

For instance, taken from the view of a business or consumer of financial products, Basel III will negatively impact the ability to obtain loans, access commercial lines of credit and obtain trade financing to sell goods overseas; the Volcker Rule affects the capacity to raise capital from the debt and equity markets; vague derivatives regulations hamper the ability to mitigate risk; uncertainty about final mortgage lending rules is restricting mortgage credit; potential money market fund regulations impact the ability to manage cash flows, while proposed accounting rules, such as lease transactions, restrict the ability to obtain the real estate needed to function.

Accordingly, we would respectfully request that the Subcommittees consider the following issues and ask the witnesses questions regarding the following issues:

- Have the regulators considered the impacts of Basel III on Main Street businesses and the economy and what steps are being taken to minimize those impacts? Have they determined how the rules will impact financial companies' ability to offer loans and other lines of credit?
- We agree with the decision of U.S. regulators to clarify that U.S. financial institutions will not be required to comply with Basel III capital and liquidity requirements by Jan 1. However, will there be additional steps taken to ensure a uniform application of Basel III in light of recent comments from European regulators to slow down implementation?
- Will Basel III depress the residential and commercial real estate markets that are still trying to recover from the 2008 financial crisis?
- Will Basel III trade finance policies hamper American competitiveness in a global economy?
- What are the costs and benefits of Basel III?

These are but some of the questions that need to be answered, in a specific and holistic manner, to identify and correct potential adverse consequences before the Basel III implementing regulations are finalized. A failure to address these issues now could create market disruptions that may impede the ability of the economy to recover and grow at its full potential.

Thank you for your consideration of these issues related to the implementation of Basel III and we look forward to working with the Subcommittees to resolve them.

Sincerely,

American Land Title Association
Building Owners and Managers Association International
Business Roundtable
CCIM Institute
Competitive Enterprise Institute
CRE Finance Council
Institute of Real Estate Management
International Council of Shopping Centers
Mortgage Bankers Association
NAIOP, Commercial Real Estate Development Association
National Apartment Association
National Association of Home Builders
National Association of Real Estate Investment Trusts
National Multi Housing Council
Property Casualty Insurers Association of America
Society of Industrial and Office Realtors
The Latino Coalition
The Real Estate Roundtable
The Realtors Land Institute
U.S. Chamber of Commerce