

National Policy Bulletin



National Association of Real Estate Investment Trusts®

REITs: Building Dividends and Diversification®

FEDERAL RESERVE BOARD EXTENDS FINANCING TO LEGACY CMBS

This afternoon, the Federal Reserve Board (Board) announced that, starting in July 2009, high-quality commercial mortgage-backed securities that meet certain criteria and that were issued before January 1, 2009, will become eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF).

This action by the Board represents the first instance of a legacy asset class being made eligible as TALF collateral. It follows the Board's announcement earlier this month that recently issued and originated CMBS and securities backed by insurance premium finance loans will be eligible collateral for TALF participation beginning in June. [CLICK HERE](#) to read the Federal Reserve's press release, which provides more detailed information.

The Board's stated objective for this expansion to include legacy CMBS is to restart the market by promoting price discovery and liquidity for these assets. The resulting improvement in the market – which has been at a standstill since mid-2008 – should allow lenders to issue new CMBS to borrowers seeking to finance new purchases of commercial properties or refinance existing commercial mortgages on better terms.

Legacy CMBS must meet certain criteria designed to protect the Federal Reserve and Treasury to be eligible as collateral for TALF loans. They must also be senior in payment priority to all other interests in the underlying pool of commercial mortgages. The Federal Reserve Board of New York will not accept as collateral any CMBS that does not meet the



published terms. [CLICK HERE](#) to review the published terms.

Since its November 2008 Annual Meeting, NAREIT has been focused intensively on seeking development of a federally supported liquidity facility for commercial real estate. With the announcement late last year of the TALF for consumer and small business credit, NAREIT's dialogue with federal officials increasingly was directed toward extension of the TALF to commercial real estate.

Today's announcement should be an important step to continue to re-establish confidence and credit in commercial real estate finance and investment. NAREIT will continue its efforts to ensure the effectiveness of this new program and to seek additional policy steps, such as modification of the Foreign Investment in Real Property Tax Act (FIRPTA), to help foster the recapitalization and refinancing of the REIT and real estate investment community.

For further information, please contact Tony Edwards at tedwards@nareit.com, or Robert Dibblee at rdibblee@nareit.com.

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