

United States Senate

WASHINGTON, DC 20510

April 8, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

Dear Secretary Mnuchin, Chairman Clayton and Chairman Powell:

We are writing to ask you to to swiftly issue guidance and regulatory relief to servicers and special servicers within the commercial mortgage-backed securities (CMBS) market encouraging forbearance and other forms of debt relief where appropriate and necessary as a result of the current COVID-19 health crisis.

In our respective states, we have heard concerns from all sectors of the commercial real estate industry about COVID-19's impact on the real estate lending markets, particularly the CMBS market. Specifically, we have seen that the COVID-19 pandemic has been especially damaging to the hotel industry. Every day more hotels are closing and more employees are left jobless. Without guidance to CMBS servicers and special servicers we are concerned that a negative loop will occur, ending in foreclosures and a liquidity crisis in real estate debt markets. Securitized hotel and lodging lending markets must retain enough liquidity and be given appropriate relief from regulatory and rating agency pressure so that lenders and their servicers may work constructively with borrowers to navigate this unforeseeable crisis.

According to the American Hotel & Lodging Association, 1.6 million direct hotel jobs, or nearly 3.9 million total hotel-supported jobs, have either been eliminated or will be eliminated in the next few weeks. This devastating human toll, leaving 70% of hotel workers furloughed or laid off, is resulting in \$2.4 billion in lost wages to workers weekly. Hotel revenues nationwide are currently down 70% and many hoteliers are projecting catastrophic revenue losses for the year in excess of 50%. Individual hotels and major operators are forecasting occupancies below 20% for upcoming months. At an occupancy rate of 35% or lower, hotels may simply close their doors, putting 33,000 small businesses at immediate risk.

The stakes are high, and we need to work in a collaborative manner to address the COVID-19 public health crisis and the economic uncertainties that come with this challenge. Many in the hotel and lodging industry are very concerned that they will not make their mortgage payments – a concern shared by many servicers. Problematically for the current crisis, a loan must become delinquent for a servicer to begin working with the borrower to figure out the correct and necessary remediation. We believe it is important for your

agencies to issue guidance stressing that hotels can and should proactively engage their servicers to find the right solutions and maintain liquidity throughout the CMBS marketplace.

Additionally, the Federal Reserve recently announced it would establish a Term Asset-Backed Loan Facility (TALF) to support consumer and business credit markets.¹ We believe the Federal Reserve should include AAA CMBS as eligible in TALF.

Thank you for your consideration. Please do not hesitate to reach out to our offices if you have any questions. We look forward to working with you on this important issue to our states' economies.

Sincerely,



Martha McSally
United States Senator



Cory Gardner
United States Senator



Tom Tillis
United States Senator

¹ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm>