

March 10, 2005

Co-sponsor the REMIC Modernization Act

Dear Senator:

The undersigned organizations urge you to co-sponsor **S. 580, "The Real Estate Mortgage Investment Conduit (REMIC) Modernization Act,"** sponsored by Senators Gordon Smith (R-OR) and Kent Conrad (D-ND).

The bill will modernize the REMIC rules in the U.S. Tax Code to allow the modification of collateral securing commercial mortgages held in REMICs. Current law is nearly two decades old and unduly restricts the ability to modify REMIC collateral. As a result, opportunities to maximize economic value of the property are affected and commercial real estate growth and viability are hindered. S. 580 will help bring about the revitalization of properties in communities across America and promote job creation, economic expansion and growth in state and local community tax bases. S. 580 will also allow residential lenders to make certain prudent, but modest, modifications to loans to accommodate the changed circumstances of borrowers while protecting the financial interests of the investors.

REMICs were created by the 1986 Tax Act as a means of increasing capital flows to real estate by creating a secondary mortgage market vehicle. REMICs have been successful in expanding access to capital by allowing primary lenders to sell loans to the secondary market, freeing up capital for new loans. However, commercial borrowers are re-considering having a mortgage put into a REMIC because the out-dated rules limit the ability to make decisions affecting the borrower's property. These are basic decisions, such as renovations and expansions that would enhance the value of the collateral and make the underlying mortgage more, not less, secure.

These enhancements also will protect the REMIC bondholders' investment. The Joint Committee on Taxation has determined that the REMIC Modernization Act will have a modest impact on tax revenue – reducing revenue by only \$11 million over the next ten years. By modernizing the REMIC law, S. 580 will enhance greatly the ability of commercial property owners to upgrade buildings after the mortgage has been securitized, without the need for costly and burdensome tax opinions. Perhaps most importantly, by facilitating the renovation of commercial properties, this legislation will help to spur new economic growth and employment.

For these reasons, we respectfully urge you to co-sponsor S. 580.

**America's Community Bankers
Building Owners and Managers Association International
Commercial Mortgage Securities Association
International Council of Shopping Centers
Mortgage Bankers Association
National Apartment Association
National Association of Real Estate Investment Trusts
National Association of Realtors
National Multi Housing Council
The Real Estate Roundtable**