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Urgent Plea for U.S. Treasury and Federal Reserve to Extend TALF Program

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With more than \$1 trillion in commercial real estate loans expected to mature over the next few years, the drumbeat is getting louder in Washington, D.C. to deal with the looming debt challenge facing the beleaguered industry.

In an urgent plea, 41 members of the U.S. Congress today sent a signed letter to Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke requesting a one-year extension on the Term Asset-Backed Securities Loan Facility (TALF), which is set to expire Dec. 31.

The bipartisan letter states that unless the TALF is extended, the continuing dysfunction in the commercial real estate credit market will threaten more than nine million real estate-related jobs and hundreds of millions of dollars in tax revenues the commercial real estate industry provides for state and local governments.

The TALF program provides federal loans for investors to purchase asset-backed securities to help restore liquidity to those markets. Commercial mortgage-backed securities (CMBS) became eligible for TALF funding in June.

Restoring the health of the CMBS market, which has been frozen for 18 months, is widely viewed as a critical step to getting debt capital flowing into the industry once again.

Unless the TALF is extended beyond its current expiration date of December 31, 2009, the commercial real estate market will simply not have sufficient liquidity to deal with this looming debt challenge, the letter states.

CMBS became eligible for TALF loans in June. The request to extend TALF stems from the lengthy underwriting process for CMBS deals. It can take four to five months to bring a CMBS deal to market.

If TALF were to expire at the end of this year, the 41 members of Congress point out, the last opportunity for borrowers to begin the TALF process for new deals would be in mid-August.

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