



December 8, 2015

Mr. Arthur Sandel  
Special Counsel - Office of Structured Finance  
Division of Corporate Finance  
Securities and Exchange Commission  
100 F Street N.E.  
Washington D.C. 20549

**Re: Follow-up Letter for Single Family Rental ABS Meeting with Risk Retention Regulators**

Mr. Sandel:

The Mortgage Bankers Association<sup>1</sup> (MBA) and its members appreciated the opportunity to discuss with Agency<sup>2</sup> staff our position that single family rental (SFR) asset-backed securities (ABS) would best be classified as commercial mortgage-backed securities (CMBS) for risk retention regulatory purposes. We are grateful for the opportunity to interact with Agency staff on risk retention issues and to address the insightful questions raised.

Our members also appreciate the collective guidance provided by the Agencies that SFR ABS would be subject to risk retention no earlier than December 2016. This clarification avoids potential shocks and interruptions in SFR ABS issuance activity in the fourth quarter of 2015 and early 2016. Addressed below are several discussion areas from the meeting that we would like to emphasize, as well as requested follow-up information.

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: [www.mba.org](http://www.mba.org).

<sup>2</sup> Participating in the October 7, 2015 meeting were the following risk retention rule making regulatory agencies: Securities and Exchange Commission, Federal Reserve, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, Federal Housing Finance Agency, and the Department of Housing and Urban Development.

### SFR Loans Share the Same Characteristics as Commercial Real Estate (CRE) Loans

The risk retention final rule<sup>3</sup> (Final Rule) was developed before the current substantial expansion of the SFR securitization industry, which resulted in the language of the Final Rule not specifically addressing securitizations of SFR loans. MBA believes that the general framework and policy goals of the Final Rule warrant treating the SFR ABS as CMBS for risk retention purposes.

MBA notes the following characteristics of SFR Loans that comprise SFR ABS that align them with commercial real estate loans:

- SFR Loans are business loans that are made for income producing properties.
- The borrower of an SFR Loan is most frequently a limited liability company or a corporation, and these loans are generally secured by multiple units, the individual values of which are accounted for in originating the loan.
- These loans are also underwritten using commercial real estate criteria, such as debt-service coverage ratio and expected rental income per unit.
- The factors taken into account in underwriting an SFR Loan are almost identical to those factors identified in the Final Rule's Qualifying CRE Loan definition<sup>4</sup> and are the most analogous to the considerations taken into account when originating loans secured by multifamily rental properties.
- SFR Loans require a bifurcation of the ownership interest from the right of occupancy. Indeed, the mortgagor on an SFR Loan has no intention to "consume" the dwelling aspects of the property, clearly communicating the commercial nature of the interest. Importantly, with the intended use of these properties to generate income for the borrower, CRE is the only appropriate loan category for SFR loans.

### Requested Information by Agency Staff

During the meeting, Agency staff requested the Bloomberg Ticker numbers for SFR ABS that have been issued by companies participating in the meeting:

- For First Key Lending - FKL 2015-SFR1
- For Colony American Finance - CAFL 2015-1
- For B2R Finance - B2R 2015-1

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<sup>3</sup> 79 Fed. Reg. 77602 (December 24, 2014)

<sup>4</sup> 79 Fed. Reg. 77757 (December 24, 2014)

CMBS and Risk Retention

In addition to the discussions on SFR ABS, MBA greatly appreciates the Agencies' interest in the CMBS risk retention implementation issues that were introduced during the meeting. We have assembled a 50+ member working group to identify risk retention implementation issues for CMBS. We would welcome the opportunity to discuss with this group of Agency staff the areas of the Final Rule addressing CMBS that would benefit from clarification.

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MBA gratefully acknowledges your inter-agency coordination efforts on this topic and would greatly appreciate if you could distribute this letter to the meeting participations as well as other interested Agency staff. We appreciate the constructive dialogue that Agencies have engaged in and we look forward to continuing this vital interaction. Any questions regarding this letter should be addressed to George Green, MBA Associate Vice President, at [ggreen@mba.org](mailto:ggreen@mba.org) or (202) 557-2840.

Sincerely,

A handwritten signature in black ink, appearing to read "D.H. Stevens".

David H. Stevens, CMB

President and Chief Executive Officer