



MORTGAGE BANKERS ASSOCIATION

October 16, 2019

The Honorable Emanuel Cleaver  
Chairman  
Subcommittee on National Security,  
International Development, and Monetary  
Policy  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Steve Stivers  
Ranking Member  
Subcommittee on National Security,  
International Development, and Monetary  
Policy  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable William Lacy Clay  
Chairman  
Subcommittee on Housing, Community  
Development and Insurance  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Cleaver, Chairman Clay, and Ranking Member Stivers:

On behalf of the Mortgage Bankers Association (MBA), thank you for holding today's joint-subcommittee hearing entitled "Protecting America: The Reauthorization of the Terrorism Risk Insurance Program." MBA applauds your leadership and looks forward to working together toward a long-term reauthorization of the program. MBA urges prompt Congressional action to renew this critical program and thanks Chairwoman Waters, and the 27 bipartisan cosponsors, for introducing H.R. 4634, a 10-year "clean" reauthorization bill, which MBA supports.

MBA is the only national association representing all segments of the real estate finance industry—an industry that employs more than 280,000 people throughout the country. The association works to ensure the continued strength of the nation's residential and commercial real estate markets and to extend access to affordable housing to all Americans. While promoting fair and ethical lending practices, MBA fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. MBA's membership of over 2,200 companies represents all elements of real estate finance. In particular, the members of MBA provide the vast majority of commercial real estate mortgages in the U.S. The importance of the Terrorism Risk Insurance Act of 2002 and subsequent reauthorizations (TRIA) to the American economy is directly relevant to MBA's membership.

Additionally, MBA is part of the Coalition to Insure Against Terrorism (CIAT). CIAT represents a wide range of businesses and organizations throughout the transportation, real estate, manufacturing, construction, entertainment, and retail sectors in support of reauthorizing TRIA well in advance of its expiration.

A long-term extension of TRIA is vital to the health of the commercial and multifamily real estate finance sector and the nation as a whole. With \$3.4 trillion in total mortgage debt outstanding, the commercial/multifamily real estate finance sector is a large and integral part of the national

economy. This finance sector includes commercial banks, life insurance companies, Fannie Mae, Freddie Mac, the Federal Housing Administration, commercial mortgage-backed securities (CMBS), debt funds and other institutional sources of capital. Debt capital provided by these various capital sources finances the vast majority of office, retail, industrial and multifamily rental properties that are spread across the fabric of the nation. These buildings house the businesses that are the engines for the nation's vibrant and diverse economy.

Over the past several years, commercial mortgage loans have performed extremely well. The absence of available and affordable terrorism risk insurance, however, would negatively impact the commercial real estate finance sector and would ripple through the economy as buildings became more difficult and costly to finance and purchase.

Since the time that TRIA was under consideration by Congress over 17 years ago, MBA has been a leading voice in supporting this legislation as well as the subsequent reauthorizations of TRIA in 2005, 2007, and 2015. MBA has produced research reports and implementation guidance for TRIA, and MBA has testified before numerous governmental and insurance regulatory bodies.

Terrorism risk insurance is paramount to the \$3.4 trillion commercial/multifamily finance sector. This is amply demonstrated when terrorism insurance became either unavailable or unaffordable. A look back to the 14 month period before TRIA was signed into law in November 2002 provides important insight for what the future would hold should TRIA be allowed to sunset on December 31, 2020. In the aftermath of the September 11, 2001 terrorist attacks, terrorism insurance markets seized; a 2002 survey found \$15.5 billion of real estate projects in 17 states were stalled or canceled because of a continuing scarcity of terrorism insurance.<sup>1</sup> The impact on the 9/11 attacks also extended into existing commercial mortgages when \$4.5 billion in commercial mortgage-backed securities (CMBS) were downgraded.<sup>2</sup> Clearly, the lack of terrorism insurance coverage impacted both new construction and the commercial mortgage market. While there have been advances in terrorism risk modeling in recent years, the private insurance market cannot solely address this type of catastrophic risk. As a result, the failure to renew TRIA would have a tremendously negative impact on the availability of terrorism risk insurance.

The uninterrupted continuation of TRIA is critical. The private sector still cannot supply adequate terrorism coverage without a federal backstop. That is, despite positive developments over the last 17 years, a sustainable private reinsurance market for terrorism coverage has not fully emerged. A long-term solution for terrorism insurance coverage is therefore a crucial issue for MBA's members, especially servicers whose functions include receipt of insurance and mortgage payments, customer service, escrow administration, investor accounting, collections, and foreclosures, as well as ensuring that properties have necessary insurance coverage in place. MBA's members hold the single largest share of real estate debt outstanding in all markets and bear the lion's share of the financial risk associated with property damage or destruction.

A key objective for TRIA reauthorization is for terrorism risk insurance to remain both available and affordable, in the long-term, for commercial real estate and multifamily properties. The clearest path to this objective is a long-term TRIA extension without modifications, given the success of the program in providing stability to the terrorism risk insurance market. As indicated

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<sup>1</sup> "Terror Insurance Drag on Real Estate Still Climbing," Real Estate Roundtable, September 19, 2002.

<sup>2</sup> "Moody's Downgrades Securities on Lack of Terrorism Insurance", Wall Street Journal, September 30, 2002.

by the Treasury Department's Report on the Effectiveness of the Terrorism Risk Insurance Program, the program under TRIA has made terrorism risk insurance available and affordable while providing stability to the market.<sup>3</sup>

MBA commends the Committee for understanding that TRIA and its reauthorizations have been a success in maintaining stable and affordable terrorism risk insurance for commercial real estate and multifamily properties. We are pleased that the Financial Services Committee is placing a high priority on TRIA reauthorization.

As always, thank you for the consideration of the views expressed within this letter. MBA stands ready to assist this Committee and the entire Congress as you examine TRIA and consider its long-term extension or reauthorization. We look forward to our continued work together to promote a more competitive and sustainable real estate finance market in the United States.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Killmer", with a long horizontal flourish extending to the right.

Bill Killmer  
Senior Vice President, Legislative and Political Affairs

cc: The Honorable Maxine Waters, Chairwoman, Committee on Financial Services  
The Honorable Patrick McHenry, Ranking Member, Committee on Financial Services  
All Members: Committee on Financial Services

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<sup>3</sup> "Report on the Effectiveness of the Terrorism Risk Insurance Program," U.S. Department of the Treasury, Federal Insurance Office, June 2018.