MBa.

February 5, 2019

arrc@ny.frb.org
ARRC Secretariat
Alternative Reference Rates Committee (ARRC)

Re: ARRC Consultation: New Originations of LIBOR Bilateral Business Loans

Dear Committee members:

The Mortgage Bankers Association (MBA)[1] is pleased to respond to the ARRC Consultation Regarding More Robust LIBOR Fallback Contract Language for New Originations of LIBOR Bilateral Business Loans, released December 7, 2018. As is indicated in the consultation, following this market-wide consultation, ARRC plans to recommend fallback language for bilateral business loans for voluntary adoption in the marketplace.

Affected MBA members will be providing their feedback on various Consultation individually, as ARRC Market Participants or otherwise. However, looking at the Consultation process from a broader, industry perspective, MBA acknowledges the critical role ARRC can play in market stability.

LIBOR forms the basis for establishing economic expectations in contractual relationships, in this case, contractual relationship across business entities. Under such circumstances, the parties to those contract, not governmental regulators or other third parties, are in the best position to determine what LIBOR transition protocols best preserve the original economic expectations.

On the other hand, it would be inefficient and disruptive for each set of counterparties to independently invent protocols to achieve that outcome for each contractual relationship. Therefore, it is invaluable for ARRC to effectively crowd-source a limited menu of approaches that can form new consensus market standards.

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[1] 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 to 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 2,300 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, securitization conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mba.org.

The existence of a menu of consensus market standards can be particularly useful for MBA members who make commercial and multifamily mortgage loans. Those lenders will carry the operational challenges of a transition, in addition to the substantial challenges of educating a wide range of borrowers on the existence of the LIBOR transition issue and on appropriate contractual provisions and protocols for addressing that issue.

To facilitate that effort, MBA and its LIBOR Outreach Committee of members has developed a PRIMER ON EVOLVING ISSUES FOR LIBOR TRANSITION AND COMMERCIAL MORTGAGE MARKET CHALLENGES.[2] We recognize and appreciate that the output of ARRC, including the results from this Consultation and others, will also play a substantial role in facilitating that educational challenge.

Again, we commend the substantial work of ARRC and the Business Loans Working Group toward workable solutions and market stability. We will contribute as well through our efforts including, but not limited to, single-family mortgages, as MBA is a member of the Alternative Reference Rates Committee's Consumer Products Working Group. For additional information, please contact me at afoster@mba.org.

Sincerely,

Andrew Foster

Andrew Foster
Director, Commercial Real Estate Finance
Mortgage Bankers Association

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[2] Available at: http://mba-pa.informz.net/mba-pa/data/images/MBA CREF LIBOR Primer - January 2019.pdf