April 16, 2020

Submitted via e-mail to: regs.comments@federalreserve.gov.

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Secretary Mnuchin and Chairman Powell:

The American Hotel & Lodging Association (AHLA), Asian American Hotel Owners Association (AAHOA) and hoteliers across the country thank you for your continued leadership during the coronavirus pandemic.

At its core, the hotel industry is an industry of people taking care of people and our single greatest asset is our workforce. The health and safety of our associates and our guests has been and continues to be the top priority for the hotel industry. The historic CARES Act created by Congress and the Administration is a shining example of bi-partisan leadership to address one of the greatest challenges our nation has faced. It is also playing a vital role preventing significant and long-lasting economic damage for millions of Americans that work in the hotel industry.

Our organizations and hoteliers across the country were also very pleased by the recent announcement of the expansion of the Term Asset-Backed Securities Loan Facility (TALF) to include triple-A-rated commercial mortgage-backed securities (CMBS). Furthermore, we are pleased to see the launch of the new "Main Street" lending facility to further solidify the Trump Administration and Congress' efforts to bolster the American economy.

AHLA represents all segments of the hotel industry in the United States, which encompasses over 55,000 properties nationwide, 61% of which are small businesses, and supports 1 in 25 American jobs. AAHOA is the largest hotel owners association in the nation. The 19,500+ AAHOA Members own almost one in every two hotels in the United States. With billions of dollars in property assets and hundreds of thousands of employees, AAHOA Members are core economic contributors in virtually every community.

The hotel industry is currently facing an unprecedented cash flow crisis, with revenues nationwide declining more than 80% in recent weeks and expected to worsen. Many hotels are unable to pay operating costs and thus debt service. This will cause a snowball effect of foreclosures, and lenders taking ownership of severely distressed assets, leading to full scale layoffs and extended property closures. Hoteliers have a very limited ability to work directly with servicers of CMBS debt to achieve meaningful relief during this crisis. It is critical that regulators act swiftly to ensure that the $86B of CMBS debt backed by hotel and lodging assets, as well as the total $300B debt backed by those assets, remains in good standing. Widespread default and foreclosure on hotel CMBS debt would be disastrous for the commercial real estate market at large as well as the holders of that debt, including pension plans and other large investors. Borrowers need access to capital to pay these debts and servicers must have the ability to provide necessary debt relief, including forbearance and other loan modifications during this extraordinary time.

AHLA, AAHOA and hoteliers from across the country respectfully request **as part of the new "Main Street" lending facility the Treasury and the Federal Reserve act to create a CMBS market relief fund with a specific focus on the hotel industry and it's dire need for relief in this sector.** The hotel industry recommends:

- The terms of the lending need to allow for realistic repayment given the recovery curve ahead for the hotel industry – experts project that it will take between two and five years for hotel industry revenues to return to pre-crisis levels.
- The program should be $10B to allow a year's worth of full payments against the total $86B CMBS debt for the industry.
    - The maximum size of each individual loan should be one year of CMBS debt payments (principal and interest). This should be sized for each individual asset which has CMBS debt against it with loans available for each asset as necessary. The withdrawal schedule should be matched against the CMBS loan payment due dates.
    - Allowable use of the funds should be payment of CMBS debt service obligations as well as necessary tax and insurance payments.
- Loan borrowers must be borrowing to pay CMBS debt against a hotel or lodging asset.
- The borrower must have been current on their payments and not in default as of February 1, 2020.
- The loans should be at a 2% rate to ensure an ability for borrowers to repay while at the same time ensuring taxpayers are not adversely affected. The loans should be non-recourse.
- Loan payoffs should begin five years after the final loan payment is made, with interest accruing until payments start.
    - The loans should be pre-payable at any time with no penalties.
    - The loan would come due upon the sale of more than 20% of the property.
- Loans should be administered through the master servicers (such as Wells Fargo, Midland, etc).
    - The servicers should collect a 10 basis points servicing fee deducted from the accrued or current interest as it is paid.
- The loans should have a 10-year amortization schedule.

The master servicers will also need to work constructively with borrowers to facilitate this program. They will need to consider waiving tests around debt-service coverage ratio, debt yield, performance, and other items. Additionally, many CMBS loans prohibit taking on additional debt, a potential requirement that would need to be waived under this program. Existing CMBS loans maturing within the next two years should be extended to avoid the risk of an inability for the borrower to refinance under current conditions.

The goal of this lending facility would be to allow hotel owners to keep current on CMBS loans and avoid foreclosure so that our valued workforce would have a place to return when the coronavirus pandemic subsides. Structuring the facility as loans administered by the master servicers allows for urgent, immediate relief for borrowers and eases concerns around CMBS loan covenants.

This lending facility would also forestall the impending debt crisis in the hotel CMBS market and prevent it from rippling out into other areas. If CMBS servicers are forced to foreclose on these hotels, they have no realistic path to restarting the business or reselling the property into the market in a reasonable amount of time, leading to shuttered hotels. **Without action, the country faces a potentially catastrophic prolonged impact on jobs and tax revenues as nearly 30% of hotel debt is backed by CMBS loans.**

The establishment of a program to provide liquidity to the CMBS market specific to hotels as part of the Treasury and Federal Reserve's response to the coronavirus would support all segments of our nation's domestic lodging industry and the more than 8 million employees it supports. A wave of foreclosures would impact the entire industry and all lodging employees.

The next few weeks will be critical, and we urge action without delay. With historically low occupancy, hoteliers have struggled to make April payments and we know more many will face default when May payments come due. Any hesitation will create a domino effect of negative consequences in Main Street America and across the spectrum of commercial real estate market.

Again, on behalf of our nation's domestic lodging industry and the more than 8 million employees it supports, we thank you for your leadership during this unprecedented time and for your consideration of establishing the hotel specific CMBS market relief fund in the new "Main Street" lending facility. We stand ready to work with you in this critical moment to help stabilize our economy and support our impacted employees.

Sincerely,

Chip Rogers
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