



November 29, 2011

The Honorable Charles Schumer
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Bob Corker
United States Senate
185 Dirksen Senate Office Building
Washington, DC 20501

The Honorable Mike Crapo
United States Senate
239 Dirksen Senate Office Building
Washington, DC 20501

The Honorable Kay Hagan
United States Senate
521 Dirksen Senate Office Building
Washington, DC 20501

Re: Support for S. 1835, "The United States Covered Bond Act of 2011"

Dear Senators:

The Financial Services Forum, a non-partisan financial and economic policy organization comprised of the chief executives of 20 of the largest financial institutions operating in the United States, writes to express support for the bipartisan legislation, S. 1835, "The United States Covered Bond Act of 2011." We appreciate and share your goal of expanding access to capital for consumer credit, small businesses and households across the country. We believe this legislation, to create a legal framework surrounding covered bond issuance in the United States, will provide another tool to free up lending and investment in the critical small business sector so that we can see new starts and growth that lead to net new job creation.

Because covered bonds, which already play an integral role in real estate funding in Europe and are an established funding source for Canadian, Australian and New Zealand banks, are overcollateralized instruments that remain on the balance sheets of financial institutions, they incentivize stronger underwriting and better lending. While

financial institutions have significantly improved their underwriting standards and models, uncertainty in lending markets and rule-writing has reduced the availability of credit for homeowners and small businesses. Allowing U.S. financial institutions to issue these bonds with a legal framework around them will attract more capital to the housing, consumer credit, and small business markets at a time when additional access to credit is desperately needed.

According to *Thomson Reuters*, U.S. investors have already funded \$37 billion in covered bonds in Europe this year. This includes investments made by over 90 U.S. domestic firms from 19 states putting managed funds, pension funds, treasury deposits and other cash sources to work funding foreign bank lending. Allowing U.S. institutions to issue these instruments in dollar denominations would greatly help the U.S. economy.

Access to capital and credit is a critical issue facing many small businesses and consumers, and our housing market continues to struggle as lending and borrowing have slowed. Given the significance of consumer credit, small business, and housing in creating jobs in the United States, we must ensure that we open as many financing avenues as possible so that entrepreneurs and existing small businesses can continue to play a prominent role in leading our country's economic recovery.

Sincerely,

A handwritten signature in black ink that reads "Rob Nichols". The signature is written in a cursive, slightly stylized font.

Rob Nichols
President and CEO
Financial Services Forum