



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

November 26, 2018

VIA www.regulations.gov and Email

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street S.W., Suite 3E – 218
Washington, D.C. 20219
regs.comments@occ.treas.gov

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551
regs.comments@federalreserve.gov

VIA <http://www.FDIC.gov/regulations/laws/federal/propose.html>

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
comments@FDIC.gov

RE: Regulatory Capital Treatment for High Volatility Commercial Real Estate (HVCRE) Exposures – Notice of Proposed Rulemaking

OCC: Docket ID OCC-2018-0026
RIN 1557-AE48

Board: Docket No. R-1621
RIN 7100-AF-15

FDIC: RIN 3064-AE90

Dear Sir and/or Madam:

As the Associate Administrator for the Office of Capital Access of the U.S. Small Business Administration, I am responsible for policy, implementation and oversight for SBA's flagship small business loan programs---the 7(a) guaranteed loan program ("7(a)") and the 504 certified development company loan program ("504"). By letter dated December 20, 2017, I previously provided comments regarding the HVADC exposure definition in the Notice of Proposed Rulemaking published on October 27, 2017 ("10/27/17 Proposed Rule"). Specifically, my comments requested a revision of the proposed HVADC exposure definition to exempt real estate loans made under or in connection with SBA's 7(a) and 504 loan programs (including Interim Lender Loans and Third Party Lender Loans). SBA met with the three banking agencies on April 10, 2018 to discuss our comments on the 10/27/17 Proposed Rule.

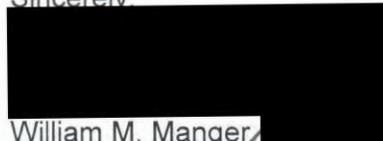
We appreciate the efforts of the banking agencies to consider and address our comments. However, we have reviewed the Notice of Proposed Rulemaking published on September 28, 2018 ("9/28/18 Proposed Rule"), and we understand that confusion remains among our industry partners and the small business lending community that may adversely affect the small businesses we serve. In response to Question 4 of the 9/28/18 Proposed Rule, we request further clarification of the interpretation of the term "community development" so that it applies to all real estate loans made under or in connection with SBA's 7(a) and 504 loan program (including related Interim Lender Loans and Third Party Lender Loans).

Regulated lender participation is critical to the success of the 7(a) and 504 programs. However, the determination that HCVRE ADC liquidity reserves would be required for these loans disincentivizes regulated lender participation in SBA programs. The results are fewer small businesses and fewer jobs that support local economies. The requirement to evaluate each project's HCVRE ADC status on an individual loan basis would add an element of uncertainty to compliance that a definitive exemption for SBA's 7(a) and 504 loans would not. An exemption provides a clear standard of compliance for regulator lenders and their regulatory auditors.

Additionally, in response to Question 2 of the 9/28/18 Proposed Rule, we suggest it would be helpful to clarify the meaning of the term "income-producing real property." SBA specifically requests clarification of whether the term "income-producing real property" applies to hotel properties or to real estate that is primarily occupied by a small business but leased in part. Based on this further clarification, it may be that certain real estate loans made under or in connection with SBA's 7(a) and 504 loan program (including related Interim Lender Loans and Third Party Lender Loans) will not be considered HVCRE ADC loans under the new statutory definition.

SBA would welcome the opportunity to provide supplemental information to support SBA's request and to engage in further dialogue regarding regulatory compliance burden relief that would increase the availability of capital to small businesses.

Sincerely,



William M. Manger
Associate Administrator
Office of Capital Access