



## IMPROVE ACCESS TO CAPITAL FOR THE CONSTRUCTION INDUSTRY

The lack of access to credit is slowing recovery in the construction industry, undermining equipment sales and making it more difficult for AED members to run their companies.

Of particular concern to AED is the lack of credit available for home building. Congress should require bank regulators to follow their existing rules and not obstruct financial institutions' lending to our nation's small builders.

Congress should specifically direct bank regulators to cease implementing the 100 percent capital bank lending limit for land acquisition, development, and construction (AD&C) loans as a hard limit. Additionally, lawmakers should direct bank regulators to utilize "as-completed" values rather than "liquidation" values when assessing the collateral on residential AD&C loans they intend to fund to completion. The use of "liquidation" value rather than "as completed" value often discourages banks from maintaining funding for loans in good standing and often results in inappropriate equity calls.

Finally, Congress should direct bank regulators to abstain from compelling a lender to call or curtail AD&C loans where the home builder is making payments in accordance with the original loan documents. Regulators should also direct regulators to permit financial institutions to work with such borrowers for a period of 24 months to realize the maximum current market value for such loans. Lenders often cite regulatory requirements or pressure from bank examiners to reduce AD&C loan exposure as justification for their actions.

**In order for recovery in the construction industry to pick up pace, Congress must act to ensure equipment distributors, contractors, and developers have access to necessary capital.**

- Two-thirds of the distributors responding to AED's 2011 public policy survey reported that they and/or their customers were having difficulty accessing financing.

- Residential construction has a major impact on equipment distributors. AED's recent public policy survey determined that along with highway and commercial construction, homebuilding is one of the most important market sectors for AED member products. Equipment distributors are therefore affected by the credit crisis facing residential developers.

- One factor that has slowed recovery in home building is the dearth of financing for AD&C. Banking regulators and examiners are apparently going well beyond what is prudent and necessary to ensure the soundness of lending institutions. This has, in turn, limited the ability of federal and state chartered banks and thrifts to make and maintain loans to qualified small home builders for otherwise viable projects.

- AED strongly supports legislation that would remove regulatory obstacles to residential construction financing.