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STATEMENT OF THE

NATIONAL ASSOCIATION OF REALTORS®

SUBMITTED FOR THE RECORD TO THE

UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS SUBCOMMITTEE FOR HOUSING, TRANSPORTATION AND COMMUNITY DEVELOPMENT

HEARING REGARDING

HELPING RESPONSIBLE HOMEOWNERS SAVE MONEY THROUGH REFINANCING

APRIL 25, 2012

Introduction

On behalf of more than 1.1 million REALTORS® who are involved in residential and commercial real estate as brokers, sales people, property managers, appraisers, counselors, and others engaged in all aspects of the real estate industry, thank you for giving us an opportunity to share our thoughts on how to help responsible homeowners save money through refinancing.

It's no secret our nation's housing markets remain in a tenuous state. While no one thought the crisis would carry on so long, markets are slowly recovering, but remain in need of immediate policy solutions to address the myriad challenges in order to stabilize housing and support an economic recovery. REALTORS® have long maintained that the key to the nation's economic strength is a robust housing industry. And, we remain steadfast in our belief that swift action is needed to directly stimulate a housing recovery. In particular, bringing relief to the millions of homeowners who have remained current on their mortgages in the face of declining home values and rising inflationary pressures will go a long way to kick starting not just the housing sector, but the overall economy.

The Responsible Homeowner Refinancing Act

The National Association of REALTORS® supports the "Responsible Homeowner Refinancing Act" because it offers relief to homeowners who continue to meet their mortgage obligation during this on-going period of economic unrest. Many homeowners have maintained their mortgage payments even as the economy stalled and prices of other consumer goods rose, squeezing their discretionary income. Unfortunately, these same consumers have not been able to take advantage of the low mortgage interest rates fostered by policy aimed at stimulating the economy because of constraints embedded in the government-sponsored enterprises (GSEs) mortgage refinance guidelines.

The "Responsible Homeowner Refinancing Act" removes those impediments and allows "current borrowers" to take advantage of record low interest rates. Effectively, this places more money into their pockets and gives them the confidence they need to participate in our nation's economy. Moreover, helping these responsible homeowners lower their payments reduces their risk of default and aids the recovery of the GSEs, Fannie Mae and Freddie Mac. Finally, the economic activity spurred on by these consumers' ability to meet an affordable loan payment will act as a mechanism to begin moving our nation out of recovery.

The GSEs, under the guidance of the Federal Housing Finance Agency (FHFA), have recently made improvements to their refinance guidelines. This legislation codifies many of those improvements, and offers enhancements to others in an effort to ensure that hard-working, diligent mortgage payers, who are "current", have options available to them to relieve some of their economic burden during this tumultuous period.

The proposed legislation does a number of things that REALTORS® believe are necessary to entice both consumers and lenders to pursue refinancing in this environment. First, it eliminates unnecessary consumer costs associated with a refinance that tend to keep homeowners who need a refi on the sidelines. These would be the up-front risk-based fees charged by the GSEs that could cost consumers up to $4000 on a $200,000 loan, as well as costs associated with the appraisal. Also, underwriting guidelines that restrict eligibility due to loan-to-value (LTV) ratios would be waived for existing, performing GSE loans in order to ensure all "current" borrowers have access to affordable refinancing rates. In our present economic environment, many consumers may not have the discretionary capital required to close a refinance. However, many of these same consumers are current on their mortgage indicating their ability, and desire, to observe their obligation. The removal of these barriers will help reward those diligent mortgage payers by allowing them to achieve a reduced mortgage payment.

Second, the legislation improves competition for lenders looking to compete with the existing mortgage servicer. The proposed legislation directs the GSEs to require the same streamlined underwriting and associated representations and warranties for the new servicer that are in place for the existing servicer. This will level the playing field in a manner that yields increased competition for the consumer's business. Ultimately, this competition will lower the cost of refinancing for the consumer, again benefitting the stability of the GSEs and the overall economy.

An additional lender concern is addressed in the provision that directs FHFA to align the refinance guidance of Fannie Mae and Freddie Mac. Confusion over the standards applied by each GSE has caused lenders to remain on the refinance sideline out of concern for misunderstanding the guidance offered by the appropriate organization and being subject to "repurchase" risk.

Finally, the legislation establishes penalties for servicers of second liens and mortgage insurers who thwart the refinance process. Establishing the ability for consumers to overcome the obstacles of second liens and mortgage insurance will increase the number of households that can take advantage of the Administration's, Regulators', and Congress' efforts to help alleviate existing housing costs pressures, and stimulate the economy.

Utilization of GSE Guarantee fee as "Pay-for" for Non-housing Programs

A final issue that has the ability to prevent consumers from refinancing, or to keep potential homebuyers on the sideline, is the use of GSE guarantee fees (g-fees) as a means to "pay-for" **non-housing** programs. Just as the proposed legislation will make refinances more attractive by removing some cost barriers associated with the refinance process, the potential for Congress to increase the GSEs' g-fees for non-housing purposes effectively re-erects a cost barrier.

Our members were deeply troubled by the use of a 10 basis-point increase over the 2011 average g-fee to pay for a two-month extension of the payroll tax relief. That increase will impact homebuyers and consumers looking to refinance their mortgages for the next 10-years. Therefore, when Congress began negotiating the 10-month extension of the payroll tax relief and the potential use of the g-fess to cover that expense, you can understand why our members emphatically let Congress know that housing cannot, and will not, be used as the Nation's piggybank. Though they are only rumors about the potential use of g-fees to cover another non-housing expenditure, we would like to use this opportunity to indicate the counter-productivity of such an increase in the face of the proposed legislation, "the Responsible Homeowner Refinancing Act".

The Nation's housing sector remains in a precarious state. Though we are seeing signs of improvement, we are cautious of taking any steps that may retard that recovery and ultimately send our overall economy into another tailspin. Increasing the g-fee, even just extending the current fee increase, effectively taxes potential homebuyers and consumers looking to refinance their mortgages, at a time when the housing sector can least afford it. The unintended impact of any proposed fee increase would be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned (REO) inventory, as well as curtailing refinance activity that is needed to keep responsible consumers in their homes.

Lastly, please note that g-fees currently are calculated by the Enterprises as a function of the costs of guaranteeing the securities they issue, i.e., the risk of underlying loans. We strongly believe that fees charged by the Enterprises to manage risk and enhance capital should not be diverted for purposes unrelated to the safety and soundness of the housing finance system.

Conclusion

Homeownership matters. Either fostering new home purchases or helping consumers remain in their homes must be a priority if we are going to move our nation from tenuous recovery to prosperity. Homeownership represents the single largest expenditure for most American families and the single largest source of wealth for most homeowners. The development of homeownership has a major impact on the national economy and the economic growth and health of regions and communities. Homeownership is inextricably linked to job access and healthy communities and the social behavior of the families who occupy it.

The National Association of REALTORS® sees a bright future for the housing market and the overall economy. However, our members are well aware that the future we see rests on the industry's and the economy's ability to successfully navigate some continuing and persistent obstacles. Congress and the housing industry must maintain a positive, aggressive, forward looking partnership if we are to ensure that housing and national economic recoveries are sustained. The National Association of REALTORS® believes that the proposed legislation will foster and encourage steps in that direction.