



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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**TESTIMONY OF**

**FRANCES MARTINEZ MYERS**

**SENIOR VICE PRESIDENT,**  
**FOX & ROACH / TRIDENT, LP**  
**ON BEHALF OF**  
**THE NATIONAL ASSOCIATION OF REALTORS®**

**BEFORE THE**

**U.S. HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON FINANCIAL SERVICES**  
**SUBCOMMITTEE ON CAPITAL MARKETS,**  
**INSURANCE, AND GOVERNMENT SPONSORED**  
**ENTERPRISES (GSEs)**

**HEARING REGARDING**

**“THE PRESENT CONDITION AND FUTURE STATUS**  
**OF FANNIE MAE AND FREDDIE MAC”**

**June 3, 2009**

## **Introduction**

Chairman Kanjorski, Ranking Member Garrett, and Members of the Committee, thank you for inviting me to testify today on the current condition and future status of Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs).

My name is Frances Martinez Myers, and I am a Senior Vice President for Fox & Roach/Trident, LP, the holding company of six home services, financial and relocation related companies, located in southeastern Pennsylvania. I am responsible for the business development efforts of Prudential Fox & Roach Realtors, the 7th largest real estate company in America, as well as the Employee Transfer Corporation, a global corporate relocation company, and ETCREO Management, a national REO asset management company. I have been in the real estate and relocation industry 34 years, and am a Past Chairman for the National Association of Hispanic Real Estate Professionals, an organization with over 15,000 members and 60 chapters throughout the United States. Also, I am a former member of the Board of Directors for the National Association of REALTORS<sup>®</sup> (2005-2007), the 2006 Chair of the National Housing Advisory Council of Fannie Mae, a former member of the National Advisory Council for Bank of America (2005-2007), and a former member of the Affordable Housing Advisory Council of Freddie Mac.

I am here to testify on behalf of more than 1.1 million REALTORS<sup>®</sup> 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. Members belong to one or more of some 1,400 local associations/boards and 54 state and territory associations of REALTORS<sup>®</sup>.

REALTORS<sup>®</sup> thank the Capital Markets, Insurance, and Government Sponsored Enterprises Subcommittee for holding this hearing on an issue that is paramount to the future viability of the U.S. housing market.

## **Housing Mission and the Secondary Mortgage Market**

Congress chartered Fannie Mae and Freddie Mac to expand homeownership and provide a solid foundation for our nation's housing financial system. Unlike private secondary market investors, Fannie Mae and Freddie Mac remain in housing markets during downturns, using their federal ties to facilitate mortgage finance and support homeownership opportunity for all types of borrowers.

REALTORS<sup>®</sup> believe that the GSEs' housing mission, and the benefits that are derived from it, play a vital role in the success of our nation's housing system. Fannie Mae and Freddie Mac have demonstrated their commitment to housing by staying true to their mission during the current market disruptions by continuing to provide mortgage capital.

## **Current Status of the Government Sponsored Enterprises**

Since being placed in conservatorship, NAR has closely monitored the impact of the current market turmoil on both Fannie Mae and Freddie Mac. As previously mentioned, REALTORS<sup>®</sup> are extremely aware that the role of the GSEs is crucial to housing consumers' ability to obtain fair and affordable mortgages, which stimulate real estate transactions, and thus the overall U.S. economy.

As the market turmoil reached its peak in late 2008, it became apparent that the role of the GSEs, even in conservatorship, was of utmost importance to the viability of the housing market as private mortgage capital effectively fled the marketplace. As private mortgage capital dried-up, should no government backed entity have existed, the housing market would have come to a complete halt and thrown our nation into a deeper recession, or even a depression.

We are currently witnessing this phenomenon in both the commercial and jumbo residential mortgage markets. Problems in these markets are delaying economic recovery.

### Commercial Mortgage Issues

Currently, banks and the CMBS market represent 75% of all outstanding commercial real estate loans. However, banks have tightened their credit standards and moved to reduce commercial real estate exposure, while the CMBS market has ceased to function - all of which points to systemic dysfunction. Hundreds of billions of dollars of commercial real estate loans from a variety of sources are expected to mature in 2009 and over \$1 trillion in the next few years. However, under current conditions, there is insufficient credit capacity to refinance this wave of loan maturities. With no liquidity, commercial borrowers face a growing challenge of refinancing maturing debt and the threat of rising delinquencies and foreclosures. Without the presence of a GSE to support liquidity and provide capital, the current crisis facing the commercial credit markets is even more profound.

### Jumbo Mortgage Issues

For residential borrowers seeking to purchase or refinance homes that are above the existing GSE loan limits, the lack of government participation has caused a situation similar to that faced by commercial mortgage market participants. A severely reduced amount of private capital in the jumbo market space has constricted the consumer's ability to get an affordable loan, if funding is available at all. For homeowners needing to refinance to a more reasonable mortgage product, the lack of liquidity is all but forcing many homeowners into foreclosure or short sale, which continues to place severe downward pressure on housing and the economy

Therefore, REALTORS® believe that as we look toward the future, Fannie Mae and Freddie Mac, or the new secondary mortgage model, must have some level of support from the U.S. government. Moreover, provisions or entities that provide liquidity in the jumbo and commercial mortgage markets must be created to ensure that those markets continue to exist, as well. NAR is currently beginning research into potential new secondary mortgage models in order to be in a better position to offer specific suggestions.

### New Secondary Mortgage Market Model Research

NAR will soon submit a Request for Proposals (RFPs) to a number of housing experts in the industry and academia to gather their ideas on a potential restructuring or wholesale revision of the U.S. secondary mortgage market. Currently, REALTORS® believe that a pure privatization model is unacceptable because of the extreme limitations that will occur during down markets. As we complete our research and make a determination on the model that we believe is the most safe and sustainable, we will make the information available to you.

### **Future Status of Fannie Mae and Freddie Mac**

Although we have begun to embark on research into an appropriate secondary mortgage market model, NAR has adopted a set of principles that will be used to guide that research. REALTORS® believe that in order for the U.S. housing market and economy to thrive, the secondary mortgage market will require safe, sound and dependable participants. To this end, at NAR's November 2008 Annual Meeting and Conference in Orlando, the Board of Directors approved a set of principles recommended by the GSE Presidential Advisory Group (PAG) that looked into the issue of the GSEs and the secondary mortgage market. The goal of NAR's "Principles for Ensuring a Robust Financing Environment for Homeownership" is to ensure there is sufficient capital to support mortgage lending in all types of markets for qualified borrowers.

### Principles for Ensuring a Robust Financing Environment for Homeownership

NAR believes that these principles, which require a continuing role for the federal government in the mortgage market, should be used in the development of a model for secondary mortgage market going forward, in order to encourage a safe and sustainable housing market. According to the principles, the secondary mortgage market model must:

1. Ensure an active secondary mortgage market by facilitating the flow of capital into the mortgage market, in all market conditions.
2. Seek to ensure affordable mortgage rates for qualified borrowers.

3. Establish reasonable affordable housing goals so all qualified borrowers, including low- and moderate-income households, have an opportunity to realize the dream of homeownership. Affordable housing goals should not provide incentives for the institution that are inconsistent with sustainable homeownership.
4. Require the institution to pass on the advantage of its lower borrowing costs (and other costs of raising capital) by making mortgages with lower rates and fees available to qualified borrowers.
5. Ensure mortgage availability throughout the nation. NAR supports indexing conforming loan limits based on increases in median sales prices, including higher indexed limits for areas with high housing costs.
6. Require sound underwriting standards.
7. Require the highest standards of transparency and soundness with respect to disclosure and structuring of mortgage related securities.
8. Ensure there is sufficient capital to support mortgage lending in all types of markets. And,
9. Provide for rigorous oversight.

These principles espouse two major themes. First, the housing market must work in all markets, and at all times, no matter the existing economic condition. As we have mentioned in numerous testimonies before the full House Financial Services Committee, the housing market has brought us out of nearly all of the major economic downturns, and will continue to do so if we as a nation protect the housing mission or the GSEs. Pure privatizing of the GSEs without any level of government support, which would incent them to act as current private investors and flee the market during an economic downturn, would create a major draft on future housing and U.S. economic recoveries.

Second, mortgage capital needs to be available to **ALL** potential, qualified housing consumers. NAR is not advocating going back to the excesses that we saw during the housing boom, where everyone, practically regardless of their ability to repay the loan, could get a mortgage. On the contrary, the housing goals that the government imposed on the GSEs, when they were reasonable, fostered opportunity for many creditworthy consumers who were in the lower portion of the income spectrum to pursue and obtain the dream of homeownership. Removing the government's involvement in the secondary mortgage market will offer no incentive for market participants to reach out to lower income, creditworthy consumers which will ultimately deprive them of their ability to own a home, and build wealth that future generations can use to move up the economic ladder.

## **Conclusion**

The National Association of REALTORS® supports a secondary mortgage market model that includes some level of government participation, but that protects the taxpayer while ensuring that all creditworthy consumers have reasonable access to mortgage capital so that they may attain the American Dream – homeownership. NAR believes that the principles we have set forth today will help Congress and our industry partners design a secondary mortgage model that will be in all of our best interest now, and in the future.

I thank you for this opportunity to present our thoughts on the current and future status of Fannie Mae and Freddie Mac. As always, The National Association of REALTORS® is at the call of Congress, and our industry partners, to help facilitate a housing and national economic recovery.