NAR Legislative Talking Point

Protecting Affordable, Safe Financing for American Families

National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Congressional Action Needed:
Strengthen the FHA mortgage insurance program, make permanent the higher FHA loan limits by passing HR 2483 (Sherman, D-CA and G. Miller R-CA), and exercise caution before considering additional proposals that may have a profound adverse impact on FHA programs that serve such a critical role to our nation's families.

Congressional Actions to Date:
House of Representatives
The House Financial Services Committee held hearings and plans to mark-up FHA reform legislation in April. This legislation allows FHA to increase (and decrease) the annual mortgage insurance premiums, and provides significant safeguards against unscrupulous lending. NAR testified in support of FHA reform legislation. H.R. 2483, the "Increasing Homeownership Opportunities Act" (Sherman, D-CA; G. Miller (R-CA), making the current FHA loan limits permanent, has been introduced. Currently these higher FHA limits are set to expire on December 31, 2010.

What to tell your Representatives:

- Pass legislation to strengthen FHA while still allowing for access to safe, affordable financing by responsible borrowers.
- Pass HR 2483 to make the loan limits permanent, and prevent dramatic decreases in the availability of affordable, safe financing nationwide.

United States Senate
The Senate has not acted on FHA reform.
What to tell your Senators:

- Pass legislation to strengthen FHA while still allowing for access to safe, affordable financing by responsible borrowers.
- Make the current FHA loan limits permanent, and prevent dramatic decreases in the availability of affordable, safe financing nationwide.

Issue Background:
Without FHA, our economy could not be on the verge of recovery.
FHA is not a subprime lender, has strong underwriting criteria to protect American taxpayers, and has never required a federal bailout. FHA borrowers are not subsidized, and pay both upfront and annual premiums. In 2009, FHA insured nearly 30 percent of the single family mortgage market, compared to nearly 3 percent in 2006. In 2009, more than 50 percent of first-time buyers used FHA; nearly 80 percent of FHA's purchase loans were to first-time homebuyers. In addition, FHA is serving those who need to refinance out of risky adjustable rate mortgages (ARMs) or subprime loans with high interest rates. In 2009, approximately 835,000 borrowers refinanced into lower interest rate FHA insured loans, saving them an estimated $1.3 billion.

Higher loan limits need to be permanent and available in all markets.
Many argue that the FHA loan limit increases help only higher cost areas, but this is not the case. Currently, only 3 percent of FHA loans are above $362,750, and less than 2 percent are above $417,000. However, decreasing the current loan limits would reduce the availability of mortgages in 612 counties in 40 states, plus the District of Columbia. The resulting average limit reduction of more than $50,000 would have a dramatic impact on liquidity and could halt the housing recovery.

NAR Legislative Talking Point
GSE Reform and GSE Loan Limits

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Congressional Action Needed:
Enact legislation to restructure Fannie Mae and Freddie Mac (the GSEs) in a manner that provides the federal government a continued role in the secondary market in order to ensure mortgage liquidity in all markets.

Enact legislation that makes permanent the higher GSE loan limit formula and caps in order to provide affordable financing for all borrowers in all markets.

Congressional Actions to Date:
The House Financial Services Committee held its first hearing on housing finance reform on March 23, 2010. The Committee plans to continue holding hearings throughout the year, with the hope of drafting a housing finance reform proposal by year's end. NAR testified at the March 23, 2010 hearing.

The Senate Banking, Housing, and Urban Affairs Committee held a hearing titled the "Future of the Mortgage Market and the Housing Enterprises" in October 2009. Since then, there has been no substantive discussion of the GSEs by the Committee.

H.R. 2483, the "Increasing Homeownership Opportunities Act," to make the current GSE and FHA loan limits permanent, has been introduced by Brad Sherman (D-CA) and Gary Miller (R-CA).

What to tell your Representative and Senators
- The federal government must have a continued key role in the secondary mortgage market in order to ensure that there is capital for mortgage lending in all mortgage markets and all market conditions.
- Support H.R. 2483, the "Increasing Homeownership Opportunities Act," to make the current GSE and FHA loan limits permanent.

Issue Background
The GSEs remain critical to ensuring mortgage market liquidity.
On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac into conservatorship. FHFA took this action "to help restore confidence in Fannie Mae and Freddie Mac, enhance their capacity to fulfill their [housing] mission, and mitigate the systemic risk that has contributed directly to the instability in the current market." At that point, it was expected that the debate on the future structure of Fannie Mae and Freddie Mac would begin in earnest. However, with Congress attention focused elsewhere, legislation is not expected to be enacted until 2011 at the earliest.

Higher loan limits need to be permanent and available in all markets.
Despite the higher limits being extended through year-end 2010, their temporary nature continues to make lenders and investors wary of supporting them. Making the limits permanent at levels appropriate in all parts of the country will provide homeowners and homebuyers with safe, affordable financing and help stabilize local housing markets. Currently the higher GSE limits are set to expire on December 31, 2010.

NAR Legislative Talking Point
Affordable and Available Property Insurance

National Association of REALTORS® Government Affairs Division
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Congressional Action Needed:
Adopt legislation that encourages the availability and affordability of property insurance, including a long-term reauthorization of the National Flood Insurance Program (NFIP) and natural disaster coverage.

House Actions to Date:
- The House has approved a series of short-term NFIP extensions.
- The House Financial Services Committee held a hearing on H.R. 2555 (Klein, D-FL), the Homeowners Defense Act, which offers federal reinsurance for state property insurance programs for natural catastrophes.

Senate Actions to Date:
- The Senate approved H.R. 4213 that extends the NFIP to December 31, 2010.

What to Tell Your Representatives and Senators:
- Reauthorize the NFIP long-term to provide property insurance market certainty.
- Improve the availability and affordability of property insurance by approving legislation, including H.R. 2555, to encourage state property insurance programs to proactively address the need for much-needed insurance coverage.

Issue Background:

Affordable Property Insurance Is Not Widely Available.
Insurers have responded to recent natural disasters by raising premiums or declining to write policies in many parts of the United States. Because the standard homeowner's policy does not cover flooding, windstorms or earthquakes, most Americans rely on the NFIP or a state program for coverage for natural disasters. Without a federal role, affordable property insurance would not be consistently available.

Short Extensions to the NFIP Do Not Provide Market Certainty.
Since September 2008, Congress has approved six short-term extensions and allowed the NFIP to expire twice. Homebuyers and small business owners require certainty to make the long-term real estate investments that are critical to our nation's economic recovery.

Taxpayers Are Now Subsidizing Under-Insured Properties.
Today the federal government mostly reacts to natural disasters by providing financial assistance to victims. For example, following Hurricane Katrina, $26 billion went directly to under-insured property owners, according to the GAO. Those are taxpayer expenditures that would not have been necessary, if affordable property insurance for these events was more widely available.

Forward-Looking U.S. Policies Will Reduce Taxpayer Burden.
By becoming more proactive, i.e. ensuring that property owners have insurance as well as incentives to mitigate property against the full range of natural disasters, the federal government could reduce the amount of disaster relief taxpayers would have to provide.

NAR Legislative Talking Point
Commercial Mortgage Market Liquidity

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Congressional Action Needed:
Take action to enhance liquidity in the commercial real estate market to avoid driving down economic recovery.

Congressional Actions to Date:
House of Representatives

- A bipartisan group of 79 Members of the House, led by Reps. Kanjorski (D-PA) and Calvert (R-CA), has signed onto a letter to Treasury Secretary Tim Geithner and Federal Reserve Chairman Ben Bernanke, urging them to take a more active role in addressing the problems facing commercial real estate markets.
- Reps. Kanjorski (D-PA) and Royce (R-CA) introduced H.R. 3380, the "Promoting Lending to America's Small Businesses Act," to increase the credit union commercial lending cap from 12.25% to 25% of total assets.
- The House Financial Services Committee and House Small Business Committee held a joint hearing on "Small Business and Commercial Lending."

What to tell your Representatives:

- Cosponsor H.R. 3380, which increases the cap on credit union commercial lending from 12.25% to 25%. Credit unions can provide an important additional source of funding for small commercial properties that need to refinance.
- Support efforts to hold a House hearing solely focused on commercial real estate.
- Urge the Federal Reserve and Treasury to encourage banks to provide term extensions for performing properties.

United States Senate

- Sen. Udall (D-CO) introduced S. 2919, the Small Business Lending Enhancement Act, to increase the cap on credit union commercial lending from 12.25% to 25% of total assets.
- The Senate Banking Subcommittee on Economic on Economic Policy held a hearing on "Restoring Credit to Main Street: Proposals to Fix Small Business Borrowing and Lending Problems."

What to tell your Senators:

- Cosponsor S. 2919 to increase the cap on credit union commercial lending from 12.25% to 25%. Credit unions can provide an important source of funding to small commercial properties that need to refinance.
- Support efforts to hold a Senate hearing solely focused on commercial real estate.
- Urge the Federal Reserve and Treasury to encourage banks to provide term extensions for performing properties.

Issue Background:
Commercial Markets Have a Strong Impact on our Economy But Face Liquidity Challenges
Despite providing more than 9 million jobs and generating billions of dollars in federal, state and local tax revenue, the commercial real estate is still in the midst of a serious financial crisis. Many property owners have debt that exceeds the current value of the property, and will face serious trouble refinancing the $1.4 trillion in commercial real estate loans that will mature by 2014.

Increase Credit Union Lending Caps
Credit unions are hampered by a business lending cap of 12.25% of total assets. Many commercial real estate owners have strong relationships with credit unions, which could help them refinance their properties but find the lending cap presents an obstacle.

Term Extensions Could Save Performing Properties Facing an Equity Gap
Instead of requiring a refinance at the end of a loan term (and having to deal with a troublesome equity gap), lenders should be encouraged to extend the term of the current loan for commercial properties that can support their current debt service. Currently, lenders do not offer term extensions because they are wary of regulatory oversight concerns. Federal guidance encouraging term extensions for appropriate properties would be a helpful tool.