Move the Housing Market Forward and Safeguard Our Communities

Congressional Action Needed:
Enact legislation that will stabilize housing and mortgage markets.

Congressional Actions to Date:
House of Representatives
The House passed legislation to extend the 2008 FHA, Fannie Mae and Freddie Mac loan limits through 2009. The House passed legislation to increase the homebuyer tax credit to $8000 and extend it through August of 2009.

What to tell your Representatives:

- Fortify Fannie Mae and Freddie Mac to ensure capital for mortgage lending in all markets; make the 2008 loan limit formula and caps permanent to provide fair, affordable financing for all borrowers; and extend the $8000 homebuyer tax credit to all homebuyers to encourage purchases.

United States Senate
The Senate passed legislation to extend the 2008 FHA, Fannie Mae and Freddie Mac loan limits through 2009.

What to tell your Senators:

- Fortify Fannie Mae and Freddie Mac to ensure capital for mortgage lending in all markets; make the 2008 loan limit formula and caps **permanent** to provide fair, affordable financing for all borrowers; and extend the $8000 homebuyer tax credit to all homebuyers to encourage purchases.

Issue Background:
The GSEs (Freddie Mac and Fannie Mae) are critical to insuring mortgage market liquidity.
On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac (GSEs) into conservatorship to restore confidence in them and enhance their capacity to fulfill their housing mission. Since their takeover, the GSEs have been crucial participants in the secondary mortgage market as most private sector participants withdrew when the economic crisis expanded. Without the GSEs and FHA-insured loans, there would be almost no capital available for mortgage lending, which would bring home sales to a halt for practical purposes.

Higher loan limits need to be permanent and available in markets.
Despite the 2008 limits being extended into 2009, the limits have only just been implemented. And the temporary nature of the limits has made lenders wary of lending. 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.

Expanding the homebuyer tax credit will generate marketplace activity.
The current residential real estate marketplace is characterized as having many browsers, but few purchasers. The tax credit has helped, but expanding it to all borrowers would greatly increase activity and would facilitate the stabilization of home prices.

Health Care Coverage for the Self Employed and Small Businesses

Congressional Action Needed: Congress must act on the problems the self-employed and small businesses face purchasing health insurance coverage for themselves, their families and their employees.

Congressional Actions to Date: Congressional health reform hearings continue as committee staff work to draft comprehensive health care reform legislation for consideration in the coming three months.

What to Tell Your Representatives and Senators:

- Any legislative reform effort must address the unique set of issues that face the self-employed and small businesses in finding affordable health insurance coverage.
- The self-employed, independent contractor, free-lance and small business work force must be afforded the same health insurance coverage terms, underwriting consideration and tax treatment available to larger firms.
- Cost containment/affordability must be a part of any proposed plan. Insurance that is cost-prohibitive is no solution to the problems faced by the self-employed and small employers.

Issue Background:

A fair amount of attention has been given to the challenges facing small businesses that would like to provide health insurance, but are unable to do so. However, the problems facing the self-employed – a category that includes the overwhelming majority of NAR's membership - have been, for the most part, overlooked. As a result, approximately 28% of Realtors nationwide are uninsured.

During previous Congresses, NAR has advocated for health reform bills designed to address the problems Realtors and other self-employed individuals have finding affordable and available health insurance.

While NAR has worked to reintroduce last year's Small Business Health Options Plan (SHOP) bill, the focus of the health care debate in Congress has shifted to the need for comprehensive national health care reform. Some observers believe that passage of a comprehensive bill is likely this year.

Regardless of the vehicle, any reform efforts must afford the self-employed, independent contractor, free-lance and small business work force an affordable health insurance product that provides the same health insurance coverage, underwriting consideration and tax treatment available to larger firms.

Preserve the Mortgage Interest Deduction

Congressional Action Needed:
Retain current law as it applies to the Mortgage Interest Deduction (MID).

House Actions to Date:
No activity related to MID.

Senate Actions to Date:
No activity related to MID.

What to Tell Your Representatives and Senators:

- Any proposals that would reduce or limit the MID would undermine consumer confidence in the housing market at a time when the goal is to stabilize housing prices and sustain homeownership.
- Now is not the time to change the MID.

Issue Background:
The Administration's FY 2010 Budget recommendations included a proposal that would limit the MID by limiting its value for taxpayers with more than $250,000 ($200,000 for singles) of adjusted gross income. In practical economic effect, the proposal would change the deduction to a 28% tax credit.

The MID was included in the original 1913 income tax provisions.
The MID is deeply embedded in both the minds of consumers and the value of their homes. Its inclusion in the original provisions of the tax laws underscores the well-established understanding of the importance of homeownership.

Reducing the value of the MID for *any* group of taxpayers has a negative ripple effect on *all* potential purchasers.
Realtors have reported that publicity about the Administration's proposal made some potential buyers reluctant to make purchases because they feared that they might lose the MID associated with the transaction. This uncertainty weakens an already weak market.

The MID is among the simplest provisions in today's tax code.
Individuals who itemize their deductions simply transfer information that their lenders provide on Form 1098 to their Form 1040. Lenders provide accurate and timely data to both the borrower and to the IRS, so there are no "games" associated with the MID.

Any action that has a chilling effect on consumers is particularly ill-advised in today's housing market.
Stabilizing housing prices should be the primary goal of all tax policy related to homeownership.

Energy Efficiency in Homes and Buildings

Congressional Action Needed:

Enact energy efficiency legislation for homes and commercial buildings that provides tax credits, financial incentives, and educating consumers on the benefits of energy efficiency.

Congressional Actions to Date:

Reps. Waxman (D-CA) and Markey (D-MA) introduced legislation which develops Energy Star labels for homes and buildings and provides funds to states that implement a labeling program.
The legislation also provides funds to states that incentivize home and building energy retrofits, and preempts the EPA from regulating carbon emissions from smaller buildings.

What to Tell Your Representatives:

- Oppose mandatory point-of-sale (at the closing table) energy labels for buildings and homes.
- Support narrower legislation that provides financial incentives for energy retrofits, including:
- H.R. 1778 (Matching Grants) – Rep. Welch (D-VT)
- H.R. 1573 (Zero-Interest Loans) – Rep. Van Hollen (D-MD)

What to Tell Your Senators:

- Support legislation that provides financial incentives for home and building energy improvements.

Issue Background:

- Energy labels will only stigmatize older properties, causing a loss in home value further weakening the national economy and reducing family wealth
- Energy Star Labels Don’t Save Energy, Home Improvements Do.
- Labeling every home in America will not, in and of itself, save energy.
- Providing incentives to property owners who make energy improvements will save energy.

A Better Approach Is to Provide Retrofit Incentives.

- The bill provides matching grants for building and home energy improvements which owners will want to make and sellers will want to promote in sales transactions.
- Mandating building energy retrofits or labels by EPA regulation is too onerous and expensive.

Stabilize and Provide Liquidity to Commercial Real Estate Markets

Congressional Action Needed:
Address the crisis in the commercial credit markets by extending the term of Term Asset-backed Securities Loan Facility (TALF) loans used to finance the purchase of Commercial Mortgage Backed Securities (CMBS) beyond the current permissible three year limit and enhancing federal tax policies that strengthen the commercial real estate market.

Congressional Actions to Date:
- Mark-to-market accounting: Lawmakers and industry representatives made Mark to Market more flexible.
- The American Recovery and Reinvestment Act of 2009, the $787 billion economic stimulus bill included tax and spending provisions helpful to commercial real estate, primarily in the areas of green building and energy efficiency, business tax incentives, and investment in transportation and infrastructure.
- The Emergency Economic Stabilization Act of 2008 (EESA) provided the funding and the authority for the Troubled Asset Relief Program (TARP).

What to Tell Your Members of Congress:
- Having a sound and functioning commercial and multifamily real estate sector is critical to our country's economic growth and development.
- NAR strongly supports the Treasury's decision to expand the initial reach of the TALF program to include CMBS. TALF loans used to finance the purchase of CMBS must be extended beyond three years to accommodate the longer term nature of commercial real estate lending.
- Congress must maintain the capital gains tax rate at the existing 15%.

Issue Background:
- While the commercial and multifamily real estate industry plays a vital role in the economy, it now faces its worst liquidity challenge since the Great Depression. Hundreds of billions of dollars of commercial real estate loans are expected to mature in 2009 and over $1 trillion in the next few years. 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, which could result in widespread systemic damage.