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June 1, 2011

The Honorable Paul Ryan  
Chairman, Committee on the Budget  
U.S. House of Representatives  
1233 Longworth House Office  
Building  
Washington, DC 20515

The Honorable Chris Van Hollen  
Ranking Member, Committee on the  
Budget  
U.S. House of Representatives  
1707 Longworth House Office  
Building  
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Our nation's housing markets remain fragile and due to their dramatic impact on our nation's economy, our economic recovery has been slow at best. The 1.1 million members of the National Association of REALTORS® urge you to recognize the importance of both the Federal Housing Administration (FHA) and the secondary mortgage market to our nation's economic health. As the Budget Committee reviews "Taxpayer Exposure in the Housing Markets," please consider the overall impacts of housing on our economy.

Since its inception in 1934, FHA has successfully operated as a self-sufficient entity without expense to the American taxpayer. More recently, FHA has played a critical role in our nation's housing finance system and has outperformed all expectations in its ability to ensure the availability of safe, affordable mortgage financing to all markets during all economic conditions. Changing the way this program is evaluated doesn't change that.

Today FHA is evaluated using standards set by the Federal Credit Reporting Act which is the same method that is used to evaluate ALL federal programs. In its recent report responding to the Chairman's request, the Congressional Budget Office (CBO) reaffirmed that using this traditional methodology FHA will generate a \$4.4 billion surplus in FY12. Singling out and subjecting FHA to a different accounting standard such as fair value accounting does not permit a fair comparison of FHA's performance to all other federal programs. In addition, a fair value accounting method is an inappropriate way to analyze a public program like FHA unless the intent is to sell its assets at the time of analysis. Market conditions change and, therefore, a fair value accounting analysis is only as good as the day it is performed and only if the assets were to be sold at fire-sale prices. The FHA program should not be singled out for a less comparable and highly volatile measurement such as fair value accounting. Instead, an appropriate review of FHA's financial health—including cash reserves, loan performance and credit quality—indicate that FHA's performance is strong and its financial standing is solid.



Freddie Mac and Fannie Mae, the government-sponsored enterprises (GSEs), have also played a very valuable role in housing markets. REALTORS® agree that reforms are needed and an influx of private capital is necessary for the housing finance system to right itself. However, REALTORS® are practical and understand that in extreme economic conditions like the one from which we are currently recovering, private capital will retreat from the market requiring the participation of entities that will remain in the marketplace regardless of economic conditions. The GSEs were created to support this specific mission within the secondary mortgage market and any replacements must meet this criterion as well. If government support of the GSEs was unavailable at the onset of the financial crisis, our nation's housing and overall economic recovery would be further stunted.

The National Association of REALTORS® urges the Committee to consider the overall impact on housing programs on our national economy. Housing accounts for more than 15 percent of the national gross domestic product. For every additional 1,000 home sales, about 500 jobs are added to the economy. Those are real jobs that give our families, friends and neighbors a chance to work. Our nation's recovery depends upon housing. What we need now is for the market to heal, to self-correct, and stabilize.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Phipps".

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR  
2011 President, National Association of REALTORS®

cc: Members, House Budget Committee