NATIONAL ASSOCIATION of REALTORS®

Ron Phipps
ABR, CRS, GRI, GREEN, e-PRO, SFR
2011 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-3837580
www.REALTOR.org

October 24, 2011

United States House of Representatives
Washington, DC 20515

Dear Representative:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to provide recommendations and solutions to stabilize and revitalize the housing industry and economy. The National Association of REALTORS® is America's largest trade association. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

It's no secret our nation's housing markets remain depressed and continue to suffer. While no one thought the crisis would carry on so long, markets are slowly recovering and are in need of immediate policy solutions to address the myriad challenges in order to stabilize housing and support an economic recovery. We 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 now from Congress and the Administration that could directly stimulate a housing recovery.

To that end, NAR worked with two well-respected policy think tanks – the Progressive Policy Institute (PPI) and the Economic Policies for the 21st Century (e21) – that organized and conducted a policy meeting on October 4. *New Solutions for America's Housing Crisis* brought together policy leaders, industry representatives, Members of Congress, thought leaders and the media to present ideas and make actionable recommendations intended to stimulate the growth necessary for a sustained recovery in housing and extend an ensuing positive effect on job creation and the broader economy. NAR unequivocally endorses many of the bipartisan ideas and recommendations that came out of the meeting and we wholeheartedly urge Congress and the Administration to undertake their consideration promptly.

Recommendation #1 – Do Not Risk Weakening Our Nation's Housing Markets Any Further

- Recraft the Qualified Residential Mortgage rule mandated by the Dodd-Frank Act to include a wide variety of traditionally safe, well documented and properly underwritten products. Requiring a 20% down payment coupled with stringent debt-to-income ratios and rigid credit standards – as defined under the proposed rule by six federal regulators – would be detrimental to prospective home buyers, especially first-time and middle-income buyers.

- Restore higher loan limits supported by FHA and the GSEs to provide liquidity in housing markets and to assure mortgage financing options while stabilizing local housing markets. On September 30, the loan limits in 669 counties and 42 states declined. Already, this has had a harmful impact on our fragile housing recovery. Sellers have had to lower their price in markets where mortgages backed by FHA and the GSEs are no longer available. Buyers are confronting higher mortgage rates and larger downpayments because only private mortgages are available in these high-cost markets. In some instances buyers have given up their home search entirely.

EQUAL HOUSING OPPORTUNITY

- Resist proposals that call for changing the tax rules that apply to homeownership now or in the future. Without a doubt, now is not the time to change the mortgage interest deduction or any other housing incentives. Making gradual or targeted changes would send the wrong signal further undermining confidence and further depressing home values.

Recommendation #2 – Restore Vitality to Our Communities and Neighborhoods by Reducing the Foreclosure Inventory

- Support S.170, The Helping Responsible Homeowners Act, sponsored by Senators Barbara Boxer (D-CA) and Johnny Isakson (R-GA). Their bill would remove refinancing limits on underwater properties for borrowers that have been paying on time, and would eliminate risk-based refinancing fees charged by Fannie Mae and Freddie Mac.

- Support bipartisan Senate efforts calling for improvements to the Home Affordable Refinance Program (HARP). Led by Senators Barbara Boxer (D-CA), Johnny Isakson (R-GA) and Robert Menendez (D-NJ), the time is appropriate to enhance HARP and provide refinancing opportunities to at-risk borrowers as an alternative to defaulting on their mortgage loans.

- Direct Fannie Mae, Freddie Mac and servicers to prioritize short sales above foreclosures.

- Support all necessary foreclosure/loss mitigation efforts to keep American families in their homes. Realogy Corporation's President and CEO, Richard Smith, has proposed a debt for equity approach to help underwater borrowers in trouble keep their homes and lower their monthly payments while lenders take a smaller hit than they would have with a default and foreclosure. Realogy Corporation is a leading provider of real estate and relocation services representing world-renowned brands and business units that include Better Homes and Gardens® Real Estate, CENTURY 21®, Coldwell Banker®, Coldwell Banker Commercial®, The Corcoran Group®, ERA®, Sotheby's International Realty®, NRT LLC, Cartus and Title Resource Group. Collectively, Realogy's franchise systems have approximately 14,400 offices and 256,000 sales associates doing business in 100 countries around the world. We call on Congress to introduce legislation adopting this innovative proposal.

Recommendation #3 – Open Opportunities for Private Capital to Return to the Mortgage Marketplace to Foster New Demand among Responsible Homebuyers

- Open up the FHA Section 203(k) rehabilitation loan program to investors to encourage purchasing of foreclosed property. This will facilitate the rehabilitation of the existing housing stock and help reduce the inventory of foreclosed homes.

- Require the GSEs to temporarily suspend investor financing limitations, especially the limit on the number of mortgage loans allowed for any one investor/borrower (currently 4 for Freddie Mac and 10 for Fannie Mae). This will give small, private investors the opportunity to absorb some of the excess inventory, resulting in the stabilization of prices for existing real estate-owned (REO) properties.

Recommendation #4 – Support a Secondary Mortgage Market Model that Includes Some Level of Government Participation

- Reject proposals that call for full privatization of Fannie Mae and Freddie Mac. This is not an effective option because private firm's business strategies will focus on optimizing their revenue/profit generation. This model would foster mortgage products that are more aligned with the businesses goals than in the best interest of the nation's housing policy or the consumer.

Recommendation #5 – We Call on the White House to Hold a National Housing Summit to Articulate a New National Housing Policy and Move the Provision of Housing to the Front of the Nation's Domestic Agenda

- Homeownership matters! It 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. We recognize the serious public debate as to which tax and spending policies will best support the sound fiscal management that our nation requires. However, we urge caution against dismantling or eliminating vital resources for housing that provide important economic, social, and societal benefits. We call on the White House to empanel a body comprised of public and private industry participants to fashion a national housing policy that is flexible enough to address the varying needs across the nation, whether it's homeownership or rental housing, production or preservation.

In conclusion, we emphasize again the recovery of the broader economy depends on housing. The last two and a half years have shown that, with housing prices bumping along the bottom, a robust economic recovery will remain exceedingly difficult. The National Association of REALTORS® stands ready to work with Congress and the Administration to move this 5-point plan to help restore housing and grow our economy.

Sincerely,

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