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August 5, 2013

The Honorable Tom Reed
1504 Longworth House Office Building
Washington, DC 20515

The Honorable Charles Rangel
2354 Rayburn House Office Building
Washington, DC 20515

Dear Congressmen Reed and Rangel:

On behalf of the one million members of the National Association of REALTORS® I would like to thank you for introducing H.R. 2994, "The Mortgage Forgiveness Tax Relief Act of 2013." Your legislation would extend the current law provision that allows tax relief for homeowners when lenders forgive some portion of mortgage debt they owe. This critical provision, first enacted in 2007, has helped millions of financially distressed American families. Unfortunately, the provision is temporary and is currently set to expire at the end of this year. Your bill would extend this critical provision, which is one of our highest legislative priorities for 2013.

Today's housing market is finally beginning to recover from a devastating multi-year decline. However, this recovery is uneven, and there are still too many homeowners who find themselves in foreclosure, contemplating a short sale, or attempting to have an existing loan restructured. Our estimates show about 9.6 million homeowners whose homes are still worth less than what they owe on them. This means that about 20 percent of all homeowners with mortgages in the U.S. are "under water." In addition, the Mortgage Bankers Association estimates there are still 1.45 million homes in the process of foreclosure. This is down from the peak of just over 2 million, but way above the average of about 430,000 from the pre-housing crisis period of between 2000 and 2006. In short, it is clear that your legislation is needed now as much as ever.

If the Reed-Rangel bill is not enacted, hundreds of thousands of American families starting next January will have to pay income tax on "phantom income." They will owe tax on money they've already lost and will be required to pay that tax at a time of dire hardship, when they are least likely to have the means to pay it. Enactment of your legislation will protect these homeowners from facing a tax bill after an economic loss on what, for most, is their most valuable asset.

Moreover, if the mortgage debt forgiveness provision is allowed to expire, many distressed homeowners may decide to take a pass on opportunities for short sales, opting instead for continued default until foreclosure or simply to walk away from the property. Either way, this would destabilize the communities where such homes are located, as foreclosed and vacant houses drive down values in the surrounding neighborhood. Thus, your bill will encourage faster resolution to these problems.

Thank you once again for your efforts. The National Association of REALTORS® looks forward to working with you to enact this important legislation.

Sincerely,

Gary Thomas
2013 President, National Association of REALTORS®



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