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

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Dear Representative:

On behalf of the more than one million members of the NATIONAL ASSOCIATION OF REALTORS®, I urge you to cosponsor H.R. 2994, “The Mortgage Forgiveness Tax Relief Act.” This bipartisan legislation, introduced by Ways and Means Members Tom Reed and Charles Rangel, would extend the current law provisions that allow tax relief for homeowners when lenders forgive some portion of mortgage debt they owe. First enacted in 2007, this critical provision 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. Securing this extension is among our highest 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. It is clear that timely enactment of this bill is critical to the ongoing recovery of the housing market.

If H.R. 2994 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. 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.

We urge you to cosponsor this bill. Please contact Phillips Hinch with Rep. Reed (Phillips.Hinch@mail.house.gov or 2-0310) or Reba Raffaelli with Rep. Rangel (Reba.Raffaelli@mail.house.gov or 5-4365) to be added.

Sincerely,

Gary Thomas
2013 President, National Association of REALTORS®



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