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February 10, 2014

Chairman Paul Ryan
House Budget Committee
1233 Longworth House Office Building
Washington, DC 20515

Ranking Member Chris Van Hollen
House Budget Committee
1707 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Federal Housing loan guarantee programs such as the Federal Housing Administration (FHA) and the programs of the Rural Housing Service have been critical to our nation's economic recovery. HR 1872, the **"**Budget and Accounting Transparency Act of 2014", introduced by Rep. Garrett (R-NJ), would require all federal loan and guarantee programs to be evaluated using Fair Value Accounting. The one million members of the National Association of REALTORS® have significant concerns that such a change would impose phantom costs on these valuable federal housing programs. As a result we urge you to consider the overall impacts of housing on our economy.

Today Federal Housing Administration (FHA) loan programs are evaluated using standards set by the Federal Credit Reform Act (FCRA), the same method that is used to evaluate ALL federal programs. Singling out and subjecting the 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, Fair Value accounting is an inappropriate way to analyze loan insurance programs like FHA's 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. This is simply not a reasonable measure for an insurance program which doesn't have the same kind of assets and liabilities as other financial entities. Using Fair Value Accounting would add budgetary costs based not on FHA's actual costs but on the higher rates private mortgage insurers charge for the same service. These phantom costs could require FHA to increase fees and premiums even higher than the current historically high levels. These fees have already resulted in lost housing opportunities for American families.

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 are still 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 goal within the secondary mortgage market; any replacements must meet this criterion as well. If government support of the GSEs had been unavailable at the onset of the financial crisis, our nation's housing and overall economic recovery would be further stunted.

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 economy depends upon housing. Adding artificial costs to these programs will only disenfranchise American families and hurt our economic growth.

Sincerely,

Steve Brown
2014 President, National Association of REALTORS®

EQUAL HOUSING OPPORTUNITY