



NATIONAL  
ASSOCIATION of  
REALTORS®

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The Honorable Michael Crapo  
Chairman  
Senate Committee on Banking, Housing  
& Urban Affairs  
239 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
Senate Committee on Banking, Housing &  
Urban Affairs  
713 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I want to express NAR's concerns regarding the scheduled elimination of capital reserves held by Fannie Mae and Freddie Mac (Enterprises).

Under the terms of their agreements with the U.S. Treasury, the Enterprises' capital reserves will decline to zero by January 1, 2018. NAR believes that, as Congress contemplates reforming the secondary mortgage market, the amount of capital reserves needed in the system will be an important question that will not only have immediate implications for taxpayers but ultimately Americans' access to credit and homeownership.

While there is less concern that a draw on the Enterprises' line of credit at the U.S. Treasury due to accounting rules would disrupt mortgage markets, it is important to have a buffer between any losses and the taxpayer. This is especially the case if comprehensive housing finance reform legislation has not yet been adopted. It makes sense to build that buffer now while the Enterprises have positive cash flows.

To address this concern, a prudent intermediate step would be to establish a Mortgage Market Liquidity Fund (MMLF) through legislation or under existing regulatory authority. A portion of the Enterprises' profits could be deposited into the fund, controlled by the Federal Housing Finance Agency (FHFA) Director, which would cover future losses due to market fluctuation as described above. The FHFA Director could release funds from this account to buffer against further U.S. Treasury involvement. As a result, some capital will be in place to avoid significant market disruptions and to continue to ensure that Americans have access to affordable mortgages.

The MMLF would protect taxpayers by reducing the need for the Enterprises to draw additional funding from the U.S. Treasury. Finally, the fund would provide Congress the necessary time to enact comprehensive housing finance reform.

The stakes have never been higher for the housing market and the broader economy. Yet, there are sizeable challenges and risks associated with the ongoing conservatorships of the Enterprises. A MMLF would ensure Americans have continued access to affordable mortgage credit while shielding taxpayers from unnecessary hazards.

Sincerely,

William E. Brown  
2017 President, National Association of REALTORS®

Cc: Secretary of the U.S. Treasury  
Director of the Federal Housing Finance Agency  
Senate Committee on Banking, Housing & Urban Affairs  
House Committee on Financial Services



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