



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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June 12, 2007

U.S. House of Representatives
Washington, DC 20515

Dear Representative:

In May, nearly 10,000 members of the NATIONAL ASSOCIATION OF REALTORS® (NAR) visited Washington to attend the Association's Midyear Meetings and Trade Expo. While they were here, they likely visited you and shared information about several issues that are of great concern to them. One problem they and their clients face is the wave of foreclosures starting to engulf the residential real estate marketplace and the tax burden it places on individuals who have suffered a substantial economic loss.

Recent media reports have described homeowners who are unable to make payments associated with some adjustable rate and subprime mortgage products. In addition, some markets have experienced more than one quarter of declining home prices. Nationally, the median price of a home has declined 1.8% over last year. That national figure masks hardships many communities are experiencing. NAR tracks existing home sales in 159 Metropolitan Statistical Areas (MSAs). In the first quarter of 2007, sixty MSAs had declining median sales prices compared with a year ago, ranging from a negligible decline of 0.1% (Columbus, Ohio and Corpus Christi, Texas) to a maximum decline of 14.9% (Elmira, New York). Data was not available or was unchanged for twelve MSAs. Thus, 41% of MSAs experienced declining prices over the past year (60 / 147).

Recently, nationally-syndicated real estate writer Ken Harney's weekly column addressed the unfair tax burden that falls on individuals who are unable to pay some portion of an outstanding mortgage, either because of market declines or because of foreclosure. He notes that the relief provided in **H.R. 1876** would eliminate the tax burden on this phantom income. His article, printed locally in the *Washington Post*, is attached for your information.

NAR also believes that **H.R. 1876** provides essential relief, and we urge you to cosponsor the bill. It provides that if some portion of a mortgage is forgiven at the time of a disposition or sale of a taxpayer's principal residence, the seller will not be required to pay tax on the forgiven amount. Identical relief was provided to residents of the Katrina Hurricane zone in 2005. Market conditions in many parts of the country today, coupled with the increase in foreclosures, underscore the importance of enacting this relief as soon as possible.

We hope you find this article useful and insightful. **We urge you to cosponsor H.R. 1876** and look forward to working with you to secure its timely enactment.

Sincerely,

Pat V. Combs, ABR, CRS, GRI, PMN
2007 President, National Association of REALTORS®