



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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April 8, 2008

Honorable Charles Rangel, Chairman
Committee on Ways and Means
1101 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Rangel:

The NATIONAL ASSOCIATION OF REALTORS® (NAR) salutes you for your legislation providing a package of important incentives that will help ease problems in our nation's housing markets. We fully support the legislation. The modifications of the low-income housing credit are important changes that modernize the credit and make it more widely available. The mortgage revenue bond provisions will make new capital available for refinancing the most troubled mortgages. We are especially pleased that you have included a previously-passed provision designed to prevent identity theft during the real estate settlement process.

One provision of particular interest to our membership is the proposed tax credit for first-time homebuyers. This is a meaningful incentive that should draw into the market many purchasers who, to date, have remained on the sidelines. We believe this credit can help convert "lookers" into first-time owners.

NAR believes that a homebuyer tax credit can contribute significantly to the economy both by helping to stabilize home prices and by stimulating additional economic activity. We believe that the proposal will be particularly useful in helping to clear an unusually high inventory of houses for sale. Historically, home sales have always had a multiplier effect as new owners purchase the goods and services that convert houses into homes. Increased housing sales now generated by this credit should have that same stimulative impact.

Your proposal to make all properties eligible for the tax credit creates a level playing field for both sellers and buyers. We believe that a seller who has paid his/her mortgage and still owns the property should not be disadvantaged relative to another property that has been taken over by a lender or that has been abandoned. When all properties are eligible for the tax credit, all sellers, all purchasers and all neighborhoods can benefit.

Our findings about the benefits of your tax credit proposal show the following. As proposed, it would:

- Restore housing sales volume to its pre-2002 level or, stated another way, bring housing sales volume back from its current 10-year low.
- Generate about one million sales to first-time homebuyers, with particularly beneficial impact on minority homebuyers.
- Stimulate nearly \$130 Billion in increased economic activity.
- Reduce existing inventory by about 900,000 homes. This should help stabilize prices.
- Help more than a half million distressed owners by decreasing foreclosure pressures.
- Restore sustainable homeownership patterns to their pre-2002, pre-boom levels without re-introducing excessive speculative home-buying frenzy.

NAR data show that first-time homebuyers in some high cost areas will not benefit significantly from the tax credit. Thus, the income limits do raise concerns for us. An optimal credit would have no income limit at all. We therefore note that if the income limit in your bill were increased to \$125,000, our historical data suggest that more than 85 percent of all first-time homebuyers could receive the benefit of the tax credit.

Again, we salute your leadership and express our strong support for your housing package. We look forward to working with you to secure its timely enactment.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard F. Gaylord". The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard F. Gaylord, CIPS, CRB, CRS, GRI
2008 President, National Association of REALTORS®

cc: House Committee on Ways & Means