NATIONAL ASSOCIATION OF REALTORS®

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April 9, 2008

The Honorable Barney Frank, Chairman
Committee on Financial Services
2252 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

The 1.3 million members of the National Association of REALTORS® thank you for holding hearings on "Using FHA for Housing Stabilization and Homeownership Retention". Today, the mortgage crisis continues to grow as increasing numbers of homeowners face foreclosure. In 1934, the Federal Housing Administration (FHA) was established to provide consumers with a new financing alternative during a similar lending crisis. For more than 70 years, FHA served our citizens and our economy well.

In recent years, however, the FHA program stagnated. Unable to respond to changing buyer needs, FHA failed to serve its core constituency and other mortgage providers stepped in to fill the gap. While some offered innovative and useful loan products, others offered problematic mortgages designed to take advantage of unsophisticated families eager for homes of their own. As a result, many homebuyers were lured into exotic mortgage products, ill-suited to their needs, and our current crisis was the result. Yet despite all of the current evidence of the need for safe, affordable FHA lending products - and the best efforts of you and others - FHA reform has yet to be achieved.

We urge you, your colleagues on the Committee and the Senate to continue to work towards enactment of FHA reforms. Permanent, realistic increases in the FHA loan limits, lowered FHA downpayment requirements, and new opportunities for condominium purchases are needed to create safe and affordable mortgage options for homebuyers and those wishing to refinance. These changes will also provide much needed stability to our local housing markets and economies.

We commend your efforts to develop innovative solutions with the "FHA Housing Stabilization & Homeownership Retention Act". Mortgage restructuring can help many homeowners keep their home with a loan they can afford. Your measure will allow homebuyers to refinance their mortgage with an FHA loan at a rate and level they can afford to repay. We are pleased to see underwriting guidelines to ensure that borrowers are likely to repay the mortgage and additional monies for counseling to make sure borrowers are able to retain their homes long-term.

Utilizing the FHA program as the vehicle for the refinanced mortgages makes sense, as it is an established entity with a proven track record. We believe it is critically important that these loans be separated from the Mutual Mortgage Insurance Fund and the General Insurance/Special Risk Insurance Funds to make certain the core programs that serve millions of homeowners and renters are not jeopardized.

The proposal also includes a program of loans and grants to states to help with local foreclosure problems. Foreclosed homes can quickly create blight in a neighborhood, and bring down the value of surrounding homes. The Woodstock Institute studied the impact of foreclosed homes on property values and found that, for every foreclosure within a city block, housing prices decrease between .9% - 1.1%. In lower income neighborhoods, the decrease can be as much as 1.8%. Given a national median home price of approximately $200,000, a foreclosed home could reduce neighboring home values as much as $3,600 per foreclosed home.[1] Add another two or three foreclosures to a neighborhood and the implications for a neighborhood's home values are very significant.

The National Association of REALTORS® thanks you for your efforts to stem the housing crisis. Congress must act to help our nation's homeowners, communities, and local economies recover. REALTORS® stand ready to work with you on solutions.

Sincerely,

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

[1] "There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values". Woodstock Institute, June 2005.