



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

500 New Jersey Avenue, N.W.
Washington, DC 20001-2020
202.383.1194 Fax 202.383.7580
www.realtors.org/governmentaffairs

Vicki Cox Golder
CRB
President

Dale A. Stinton
CAE, CPA, CMA, RCE
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

May 6, 2010

United States Senate
Washington, DC 20510

Dear Senator:

On behalf of more than 1.1 million members of the National Association of REALTORS® (NAR) involved in residential and commercial real estate as brokers, sales people, property managers, appraisers, counselors, and others engaged in all aspects of the real estate industry, I respectfully request that you **oppose** the Corker-Gregg (#3834) and the McCain-Shelby-Gregg (#3839) amendments to S. 3217, the Restoring American Financial Stability Act of 2010.

Corker-Gregg-Isakson Amendment

The Corker-Gregg-Isakson (#3834) amendment replaces the risk retention provisions of S. 3217, Title VII, Subtitle D, (b) Credit Risk Retention - with a study on the feasibility of risk retention requirements for financial institutions and implements residential mortgage underwriting standards that include a mandatory 5% down payment for all mortgages. As our nation continues to recover from the worst economic downturn since the Great Depression, REALTORS® are cognizant that lax underwriting standards brought us to this point, and must be curtailed. However, we caution that swinging the pendulum too far in the opposite direction may reverse our fragile recovery.

Based on data from NAR's 2009 Profile of Home Buyers and Sellers, 11% of all home purchasers surveyed had downpayments of 5% or less. When considering only first-time homebuyers, the percentage utilizing a downpayment below 5% increases to 18%. Improving underwriting to ensure that the consumer has the ability to repay their obligation is in the best interest of everyone, but eliminating the possibility for some creditworthy consumers to buy a home will have significant detrimental ramifications for American families, the housing sector and those businesses that support it.

McCain-Shelby-Gregg Amendment

The McCain-Shelby-Gregg (#3839) amendment, which creates Title XII to S. 3217, places Fannie Mae and Freddie Mac on the fast track to dissolution. REALTORS® believe that reform of these institutions, that have played a pivotal role in the evolution of the U.S. housing market, is necessary; however, now is not the time for drastic action. Especially, considering their current role in stabilizing the housing market, and that the McCain-Shelby-Gregg amendment does not offer a replacement to fill the enormous gap that the shuttered GSEs will leave.

As NAR mentioned in our testimony before the House Financial Services Committee, March 23rd, 2010, on the "Future of the Housing Finance", the transition of these organizations to their new form must be conducted in a fashion that is the least disruptive to the marketplace and ensures mortgage capital continues to flow to all markets in all market conditions. The establishment of aggressive timetables for the GSEs to return to profitability, prior to the full recovery of our nation's economy and housing market, pre-disposes them to failure, and will cause significant angst for homebuyers and the nation's housing markets.

Furthermore, the requirements that this amendment places on Fannie Mae and Freddie Mac, when they become viable, will effectively prohibit them from participating in the secondary mortgage market.

First, the aggressive reduction of their portfolio will prevent them from being an effective buffer during future economic downturns. A key element of NAR's recommendation for the restructure of the GSEs is that their portfolios should only be large enough to support their business needs and ensure a stable supply of mortgage capital when necessary because of insufficient private investment. The requirements established in this amendment would thwart the GSEs ability to be an effective buffer.

Second, the amendment repeals all increases to loan limits, both permanent and temporary. The loan limits would return to: \$417,000. Moreover, the GSEs would be prohibited from purchasing homes that had prices over the median-home price, for properties of the same size, for the area in which the property was purchased. This would reduce loan limits to less than \$100,000 in some areas, less than half the current FHA floor.

NAR advocated for the increase of the loan limits for high cost areas and is actively advocating that the current limits be made permanent in order to ensure that creditworthy homebuyers have access to affordable capital. The housing market remains fragile, and private capital has not returned to either the mortgage or MBS markets to the extent that is needed to support the housing industry. Reducing the GSEs' loan limits to the suggested levels will significantly limit the ability of homebuyers to obtain mortgage funding throughout the country, and damage the business sectors supported by mortgage finance.

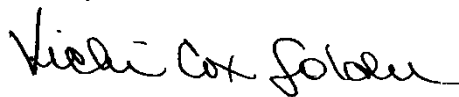
Third, the amendment establishes an escalating mandatory down payment percentage that REALTORS® believe unfairly and unnecessarily denies the opportunity to many families who have the potential to succeed as homeowners. Beginning 1-year after the 24-month assessment period, the minimum down payment requirement will be 5%. 2-years out, the down payment will be 7.5%. After three years, the down payment will be 10% for conventional-conforming loans.

The removal of flexible down payment options will significantly reduce the ability of creditworthy consumers to purchase a home. As mentioned with regard to the Corker-Gregg-Isakson amendment, a 5% down payment requirement excludes 11% of all current homebuyers and 18% of all current first-time homebuyers, based on NAR's most recent homebuyers survey. Increasing the down payment to requirement to 10% would exclude nearly 25% of all current creditworthy borrowers, and up to 37% of current creditworthy first-time homebuyers. Underwriting standards have already been corrected and loans are only available for borrowers who can afford them. There is no reason to over-correct by imposing higher downpayment requirements.

As we have seen, without the GSEs, the current crisis would have been even more catastrophic for the housing market and the overall economy, as virtually no activity would have occurred within the housing sector because little private capital would have been available. REALTORS support reforming our housing finance system, and the GSEs. However, taking a measured approach is critical to ensuring that our economic recovery remains viable.

I appreciate the opportunity to share with you the views of more than 1.1 million real estate practitioners respectfully request that you **oppose** the McCain-Shelby-Gregg (#) and the Corker-Gregg-Isakson (#) amendments to S. 3217, the Restoring American Financial Stability Act of 2010.

Sincerely,



Vicki Cox Golder, CRB
2010 President, National Association of REALTORS®