NATIONAL ASSOCIATION OF REALTORS®

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October 15, 2009

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G St., NW
Washington, DC 20552

Dear Chairman Bernanke, Secretary Geithner, and Acting Director DeMarco:

I am writing on behalf of the 1.2 million members of the National Association of REALTORS® (NAR) regarding the unwinding of the Federal Reserve Board program to purchase Mortgage Backed Securities (MBSs) guaranteed by Fannie Mae or Freddie Mac (the GSEs). The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

NAR believes that the manner in which the Federal Reserve unwinds the MBS program is critical to the housing and mortgage industries and to the economy as a whole. It will take considerable planning and effort to ensure that phasing out of this program does not lead to a significant spike in interest rates, disruptions to the flow of mortgage capital, and a halt to the fledgling recovery in the housing industry.

To ensure a smooth transition, NAR recommends the following steps:

- The Fed, Treasury, FHFA, and the GSEs should document that recently issued MBSs under the program are performing well and disseminate this information widely and publicly, in order to instill confidence among investors. We are assuming that this is true, in light of much tighter underwriting and more stable housing markets. Among other things, we believe you should highlight the measures that have been taken to ensure these new pools are sound so that they will be attractive to investors.

- The Fed, Treasury, FHFA, and the GSEs should work with banks and others in the financial industry to bring private investment back into the MBS market. Private investors are essential to replacing the capital investment that will be lost as the Fed transitions out of the MBS market.

- The FHFA and/or the Treasury should signal that new agency MBS are, at least in effect, backed by the United States Government. That is the economic reality today under the conservatorship. Inconsistent messages made on the status of MBSs after the GSEs entered conservatorship in September 2008 led to unhelpful volatility in the MBS market.

- If private investment does not return to the market in sufficient amounts to replace the current rate of Fed MBS investment, the Fed should increase the dollar size of the program and extend its term beyond the end of the first quarter of 2010. To protect the mortgage and housing markets, and indeed the entire economy, the unwinding of the MBS purchase program should be flexible and designed to ensure a smooth transition back to a private MBS market.

We believe these steps are critical and request the opportunity to meet to discuss these matters further. NAR stands ready, willing, and able to work with you to ensure that we continue to see improvements in the housing and mortgage markets and the economy as a whole.

Thank you for your time and consideration. If you have any questions and to set up a meeting, please do not hesitate to contact our Vice President for Regulatory and Industry Relations, Joe Ventrone, at 202-383-1095 or jventrone@realtors.org.

Sincerely,

Charles McMillan, CIPS, GRI
2009 President
National Association of REALTORS®