NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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Charles McMillan, CIPS, GRI
President

January 27, 2009

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 New York Ave., NW
Washington, DC 20220

Dear Secretary Geithner:

On behalf of the 1.2 million members of the National Association of REALTORS® (NAR), congratulations on becoming the nation's 75th Secretary of the Treasury. 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®.

Like millions of Americans, Realtors® have been stunned that most of the first tranche of Troubled Asset Relief Program (TARP) funding has been used to prop up the capital position of banks, without imposing conditions requiring them to use the additional capital to support additional lending. The problem with that approach is that it does nothing to address the fundamental problem of deteriorating assets on their balance sheets, especially mortgages and mortgage backed securities. The lower the value of these assets, the more capital the banks must raise. Without addressing the assets themselves, it is wasteful to simply replenish bank capital. Your predecessor justified the TARP program as a way to purchase these assets from the banks, remove uncertainty about valuation, and give them more capital with which to resume lending. It is time to use TARP for its originally-intended purpose.

NAR was pleased to note that H.R. 384, the "TARP Reform and Accountability Act," passed by the House on January 21, contains key components of NAR's Housing Stimulus Plan, including a mortgage buy-down program to reduce interest rates, increasing foreclosure prevention and mitigation efforts, and providing liquidity to the residential and commercial mortgage markets. Chairman Frank has explained that he believes the Administration will be guided by the policies in the bill and that enactment will not be necessary.

NAR's Housing Stimulus Plan supports :

- Getting TARP back on track by targeting funds for mortgage relief through efforts to lower mortgage interest rates and using TARP to help unclog the credit markets.

- Eliminating the repayment feature of the first-time homebuyer tax credit, expanding it to all homebuyers, and extending the credit's effective date to December 31, 2009.

- Making the 2008 FHA and GSE mortgage loan limits permanent.

- Increasing liquidity in the commercial real estate loan market.

Get TARP Back on Track

NAR applauds the initial success of the Treasury Department and Federal Reserve Board initiatives to reduce mortgage interest rates through the purchase of mortgage backed securities issued by the government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac. We urge you to continue these efforts and other mortgage interest rate buy-down initiatives to restore the normal spread between interest rates on Treasury obligations and mortgages. Keeping rates low, and pushing them lower, will restore vibrant housing and mortgage markets that will benefit both home buyers and homeowners seeking fair and affordable mortgages.

NAR also advocates other Federal action, including:

- The Treasury Department should provide additional TARP funds subject to agreement by the recipients to make additional loans for housing and other consumer purposes, establish foreclosure prevention programs, modify more mortgage loans to prevent foreclosures to the maximum extent possible, establish an efficient and effective short sales process, or a combination of these activities.

- All mortgage lenders, their servicers, the GSEs, and investors in mortgage assets should adopt and implement aggressive policies that result in more mortgage loan modifications to prevent as many foreclosures as possible. Where keeping the family in the home is not possible, these entities should facilitate short sales that will benefit all parties: owners, buyers, neighbors, communities, and lenders/servicers/GSEs/investors.

- Mortgage lenders and private mortgage insurers should (1) reexamine underwriting standards to determine whether they have over-corrected in response to abuses in the mortgage market, and (2) remove unnecessarily strict underwriting standards.

- Consumer reporting agencies (credit bureaus) should improve compliance with the Fair Credit Act, including prompt responses to consumers who seek to correct files and prompt correction of errors.

- Congress and HUD should reform the little-used Hope For Homeowners program. Reforms such as providing greater incentives for servicer/investor participation, expanding consumer eligibility, and lessening costs will make the program a much more effective tool for preventing foreclosure.

- HUD should reinstate the FHASecure program and allow investors to use the section 203(k) rehabilitation loan program. HUD's FHASecure program successfully helped more than 450,000 families modify their mortgages and stay in their homes. If the section 203(k) loan program were made available to investors, vacant, dilapidated homes could be renewed, thus providing safe, comfortable homes for families and helping to maintain or restore qualify of life and home valuations for the surrounding neighborhood.

Fix the Tax Credit

NAR supports making the $7,500 first-time homebuyer tax credit available to all buyers, eliminating the repayment requirement, and extending its expiration date through the end of 2009. The credit's limited availability and repayment requirement severely restrict the credit's use and effectiveness. A real tax credit that is available to all homebuyers will increase demand for the existing housing supply and kick-start the housing market.

Make the 2008 FHA and GSE Loan Limits Permanent

NAR strongly supports reinstating the 2008 loan limits for FHA and the GSEs. On January 1, 2009, the loan limits fell dramatically in many communities—not just in high cost areas. With the current tight constraints on mortgage availability, lowering the loan limits only further restricts liquidity and makes mortgages more expensive for households nationwide. When families cannot find affordable financing, they are unable to purchase a home, which will continue to prolong our housing crisis.

NAR welcomes the provision in H.R. 1, the "American Recovery and Reinvestment Act of 2009" that would revive the 2008 loan limits through 2009. But we continue to believe the 2008 limits should be made permanent, to assure that a wide range of borrowers, including those in high cost areas, will have access to fair and affordable mortgages. The temporary extension approach will only work, however, if the "guidelines" issued by the Securities Industry and Financial Markets Association (SIFMA) will permit GSE loans approved in 2009 under a temporary extension to be eligible for inclusion in TBA (to be announced) pools.

Make Credit Available in the Commercial Market

Commercial real estate is threatened by a lack of credit. Currently, there is not enough available capital in the current credit environment to refinance the massive amount of commercial real estate debt that will mature in 2009 and subsequent years.

NAR urges your support for our recommendation that the Term Asset-Backed Securities Loan Facility (TALF) established by the Federal Reserve be used to support the commercial credit markets. Access to this facility would provide a source of capital for newly originated secured and unsecured loans on commercial real estate properties that have a long-term credit rating in the highest investment-grade rating category (for example, AAA). Such a credit facility would help restore capacity and address the enormous credit shortfall facing commercial real estate.

The commercial real estate sector plays a vital role in the economy. Real estate encompasses an estimated $20 trillion in owner-occupied housing and approximately $6 trillion in income-producing commercial property. Moreover, the real estate industry supports more than 9 million jobs and generates millions of dollars in federal, regional and local tax revenue. Local governments, especially, depend on this revenue (approximately 70 cents of every local budget dollar) to pay for public services such as education, road construction, law enforcement and emergency planning and response.

As you develop the new Administration's policy initiatives, including use of the second tranche of TARP funds, we ask that you take into account NAR's recommendations in recognition of the critical importance of the housing and commercial real estate markets to the economic recovery and urge you to address the serious problems that remain as part of restoring full health to the mortgage lending and housing markets.

Again, congratulations on taking office, and we wish you every success in the years ahead. We would appreciate the opportunity for NAR leadership to meet with you and appropriate members of your team to discuss these issues further. If you have questions regarding our recommendations, please have your staff contact Jeff Lischer, NAR's Managing Director for Regulatory Policy, at 202.383.1117 or jlischer@realtors.org.

Sincerely

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