

Government Affairs Issue Brief

2012 Federal Public Policy Priorities

TAXATION

An exploding federal debt has forced tax reform into the limelight. In December 2010, a deficit reduction commission offered a variety of models for both simplifying the tax code and increasing the amount of revenue it generates. The combination of the deficit, the need to increase the US credit limit (aka the debt ceiling) and the fragile economy have lined up to force a major political debate about the relative mix of spending and revenue. As a result, a variety of tax laws, including those affected by commercial and residential real estate, could be reviewed with a focus on raising revenue.

- **Mortgage Interest Deduction:** NAR opposes any changes that would limit or undermine current law. In 2011, NAR secured 183 bi-partisan co-sponsors for H. Res 25 which "expresses the sense of the Congress that the current Federal income tax deduction for interest paid on debt secured by a first or second home should not be further restricted."
- **Cancellation of Mortgage Debt:** NAR supports further extension of this law which is set to expire on December 31, 2012.
- **Capital Gains - Exclusion on Sale of Residence:** NAR opposes any changes that would reduce or limit the capital gains exemption (\$250,000/\$500,000) on the sale of a home.
- **Property Tax Deduction:** NAR opposes any changes that would reduce or eliminate current laws.

REAL ESTATE FINANCE

Coupled with a lack of available and affordable mortgage financing, delinquencies and foreclosure rates continue to be a significant concern. Federal policymakers are weighing a number of proposals aimed at creating healthier housing and mortgage markets.

- **Government Sponsored Enterprises:** NAR recommends that Fannie Mae and Freddie Mac be restructured in a manner that ensures consumers have a reliable source of mortgage funding in all types of markets, under all types of economic conditions. The restructured entities should be explicitly backed by the government, have no shareholders and be subject to tighter regulations on product, revenue generation and usage, and retained portfolios in order to accomplish their mission and protect the taxpayer.
- **Credit Policies:** NAR believes that regulators and the broader lending community needs to focus on providing mortgage financing to qualified homebuyers and investors, as well as homeowners wanting to take advantage of historically low interest rates. In order to ensure adequate access to mortgage credit, NAR opposes a narrow definition of what constitutes a Qualified Residential Mortgage (QRM) and supports a Qualified Mortgage (QM) definition that establishes strong consumer protections, incorporates important ability-to-repay standards, and offers lenders a safe harbor that reduces litigation exposure. NAR has also called for the expansion of residential and commercial lending products, including investor access to FHA 203K loan program, and supports efforts to increase consumer access to mortgage refinancing programs.
- **Short Sales:** NAR continues to push the lending industry to expedite short sales and is working with Congress to get legislation passed to make the short sales process more efficient. NAR supports H.R. 1498, which requires servicers to decide whether to approve a short sale within 45 days of completion of the file. NAR has also met with FHFA, the conservator of Fannie Mae and Freddie Mac (the GSEs), to advocate for servicing guidelines for Fannie and Freddie loans that speed up servicer response times on short sale transactions.

PROPERTY INSURANCE

For the past several years, Congress has been approving short-term extensions of the National Flood Insurance Program's (NFIP) authority to issue flood insurance policies while they continue to debate long-term fiscal reforms to the program. The most recent extension was on Dec. 17, 2011, when Congress extended it through May 31, 2012. NAR is urging Congress to use the additional time to complete work on a 5-year NFIP re-authorization bill to provide certainty and avoid further disruption to real estate markets.

APPRAISAL ISSUES

Over the last 18-36 months, a host of rules, regulations, and laws have been announced to further protect appraiser independence. NAR strongly supports the independence of appraisers and the appraisal process. Additionally, NAR opposes the use of indemnification clauses by Appraisal Management Companies (AMCs) which places pressure on the appraiser, compromises their independence, and has a negative effect on the quality of appraisal reports. NAR will also pursue legislative and regulatory efforts to require AMCs to retain competent and qualified appraisers.

COMMERCIAL ISSUES

More than \$1.2 trillion in commercial real estate loans will come due over the next few years, and many of these deals will have trouble getting financing. Depressed conditions in the financial and small business sectors continue to negatively affect the commercial real estate industry, which threatens our nation's economic recovery. NAR supports protecting and enhancing the flow of capital to commercial real estate. NAR believes Congress and the federal government should consider legislation and regulation aimed at improving commercial real estate markets including: (1) accelerated depreciation, (2) increasing the cap on credit union member business lending (MBL), (3) additional banking agency guidance related to term extensions, (4) creation of a mortgage insurance program for performing commercial loans, (5) improving credit availability for small businesses and (6) creation of a U.S. covered bond market.