



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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STATEMENT OF THE

NATIONAL ASSOCIATION OF REALTORS®

SUBMITTED TO THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

HEARING REGARDING

**"OVERSIGHT OF IMPLEMENTATION OF THE EMERGENCY
ECONOMIC STABILIZATION ACT OF 2008 AND OF
GOVERNMENT LENDING AND INSURANCE FACILITIES;
IMPACT ON ECONOMY AND CREDIT AVAILABILITY."**

ENTITLED

**"4-POINT PLAN FOR STIMULATING
NEW HOME SALES AND STABILIZING
HOUSING VALUATIONS"**

NOVEMBER 18, 2008

On behalf of 1.2 million members of the National Association of REALTORS® (NAR), we present our views regarding how best to reduce foreclosures and mitigate the erosion of housing values. NAR represents a wide variety of housing industry professionals committed to making the American dream of homeownership affordable for those who seek it.

REALTORS® are frustrated with the current mortgage lending environment that places barriers in the path of consumers wishing to complete short sales, and with current underwriting standards that prevent high FICO score borrowers with substantial down payments from making a home purchase. These are just two effects of the current credit crisis on the housing market, and if they continue unabated, any anticipated housing recovery will be delayed thwarting a speedy national economic recovery.

NAR's 4-Point Housing Stimulus Plan

The current economic crisis is, at its core, the result of problems in the nation's housing and mortgage markets. This circumstance, along with the fact that housing has always lifted our economy out of downturns, makes it imperative that efforts be taken immediately to foster a housing recovery, so that a recovery of the overall economy can occur.

NAR has developed a plan that includes:

1. A consumer-driven provision that eliminates repayment of the first-time homebuyer tax credit and expands it to all homebuyers,
2. Makes the higher FHA and GSE mortgage loan limits permanent,
3. Gets the Troubled Asset Relief Program (TARP) back on track by targeting funds for mortgage relief through a federal mortgage interest rate buy-down program, and
4. Prohibits banks from entering into real estate.

NAR strongly believes that inclusion of these priorities in a stimulus package is imperative to move our nation out of this economic crisis.

Make the First-Time Homebuyer Tax Credit Permanent. NAR supports making the \$7500 first-time homebuyer tax credit available to all buyers and eliminate repayment requirements. The credit's limited availability and repayment requirement severely limit the credit's use and effectiveness.

The housing market has a staggering supply of product and limited demand. In order to facilitate a recovery, all efforts must be utilized to move the cautious housing consumer off the sidelines and back into the market. A tax credit that is available to all homebuyers, first-time or repeat / trade-up buyers, will increase demand for the existing housing supply and kick-start the housing market.

Make the 2008 FHA, Fannie Mae and Freddie Mac loan limits permanent. NAR believes that making the 2008 FHA and GSE loan limits permanent will expand mortgage affordability in a time when home sales and refinance activity are required to stabilize the housing market and move it towards recovery. As other sources of mortgage capital have dried up, FHA and the GSEs have grown in importance.

Current law will reduce the agency's limits at the end of 2008. This will create a situation where some borrowers will find themselves facing potentially higher mortgage interest rates, more adverse terms and conditions, or unable to secure funding because they are in an area that is suddenly above the GSE and FHA loan limits. These significant changes in loan limits will act to amplify the existing problems within the housing market.

Making the 2008 limits permanent will assure that a wide range of borrowers will have access to fair and affordable mortgages, including those residing in high cost areas.

Create a Federal Mortgage Interest Buy-Down Program. NAR supports getting TARP back on track by targeting funds to mortgage relief through the creation of a federal mortgage interest buy-down program. This program will make below-market interest rates available to housing consumers, thus stimulating home sales activity that will effectively stabilize home prices.

Daily, REALTORS® indicate that they meet and speak with thousands of credit-worthy housing consumers who are ready to jump into the market, except they are afraid that neither the housing market nor the economy has reached bottom. Lower mortgage rates, facilitated by a federal mortgage interest rate buy-down, would be the impetus to encourage these consumers to enter the housing market.

Upon entering the housing market, these consumers will stimulate existing and new home sales which will reduce housing inventories and begin to stabilize prices. Ultimately, the impact of rising home sales will spill into the overall economy as new homeowners increase purchases of items related to housing (i.e. furniture, household appliances, etc.).

Permanently Bar Banks From Engaging In Real Estate. NAR supports a permanent ban on banks engaging in real estate brokerage or management. The banks have proven they have enough to do to simply manage the loan process. If banks had been allowed to engage in real estate brokerage, the current economic crisis would be much more severe.

Banks engaging in real estate brokerage create an unlevel playing field and inherent conflicts of interest. Banks benefit from federally chartered advantages that are not afforded to their real estate brokerage competitors. The real estate brokerage industry is already characterized by fierce competition, market efficiencies, and ease of entry so that there is nothing gained for consumers by permitting banks' entrance. Allowing banks with inherent advantages to own real estate brokerage companies would stifle competition, limit consumer choices and predictably raise consumer costs.

Therefore, proposals to permit commercial firms to acquire banks, or vice versa, should be defeated. Allowing banking conglomerates to engage in commercial activities would create anti-competitive and anti-consumer concentrations of power within the financial services sector, an unlevel playing field among commercial competitors, and conflicts of interest. In the current economic environment, further consolidation of power would only act to build more business concerns that the American taxpayer would be on the hook to “not let fail”.

Conclusion

Our nation continues to face a significant challenge in dealing with the economic turmoil in today’s housing market. We can only overcome this threat if we pursue avenues that will motivate the frightened and cautious housing consumer to enter the marketplace. NAR believes that the 4-Point Housing Stimulus Plan contains the tools necessary to encourage potential homebuyers, first-time and repeat, to enter the marketplace. Only then can the housing recovery begin, and only then can our nation’s economy begin the long road home to stability.

We thank you for the opportunity to share our thoughts. The National Association of REALTORS® remains ready to assist Congress and our industry partners to implement a stimulus plan, containing these points that will restore order to the housing market and the economy.