



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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December 15, 2008

James B. Lockhart III
Director
Federal Housing Finance Agency
1700 G St. NW
Washington, DC 20552

Dear Director Lockhart:

On behalf of 1.2 million members of the National Association of REALTORS®, I am writing about the proposals to establish a 4.5 percent interest rate buy down mortgage program. As you know, NAR advocates a federal mortgage interest buy-down program financed through the Treasury Department's Troubled Asset Relief Program (TARP). The buy-down program would complement other initiatives, notably the Treasury purchases of GSE mortgage backed securities and GSE debt, that have made significant progress in lowering mortgage interest rates. Your public statements acknowledge the link between lower rates in helping homeowners and home buyers. NAR estimates that a one percentage point decrease in mortgage interest rates would increase home sales by 500,000.

To date, several ideas have been discussed. One would be for TARP to fund the payment of points at the individual loan level to achieve a 4.5 percent interest rate. Another approach is for Fannie Mae and Freddie Mac to purchase mortgages at the 4.5 percent interest rate but pay lenders the market rate. Fannie and Freddie could either take the loss directly or pool the loans and sell them to the Treasury Department at market rates.

Another idea involving the Federal Home Loan Bank System would broaden the impact of the concept. For example, the Federal Home Loan Banks could raise funds by selling a debt instrument to the Treasury Department at a below market rate and make the proceeds available as advances to member institutions that agree to make it available for mortgage loans with a 4.5 percent interest rate. These lenders could hold the mortgages in portfolio.

We urge you to support programs that will continue to bring the spread between mortgage interest and Treasury borrowing rates closer to the historical average. Housing has always led our economy out of downturns, and lower interest rates coupled with foreclosure mitigation are the key ingredients to stabilizing our housing markets and preserving homes and communities.

Sincerely,

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