



Update

i. Administration Budget Proposal Targets Mortgage Interest Deduction

On Thursday, February 26, 2009, the Obama Administration released an overview of its FY 2010 budget plan. The detailed, full budget proposal has not yet been published. Among proposed budget items is a provision that would reduce the rate at which high-income taxpayers - those whose family income is \$250,000 (\$200,000 for singles) or more - would benefit from itemized deductions. Currently, taxpayers in the 33% and 35% income brackets are able to reduce their taxes through deductions for mortgage interest payments, charitable contributions, local taxes and other expenses by 33 and 35 cents, respectively, on the dollar. Under the Administration's proposal, these individuals would only be able to reduce their tax bill by 28 cents on the dollar. The Administration estimates that the change would raise \$318 billion over the next 10 years, and has targeted the funds for planned health care reforms.

While it has supported and applauded the efforts of the Obama Administration in taking aggressive measures to stabilize both the housing market and the nation's economy, NAR also expressed its concerns, separately and in a joint letter with industry organizations such as the Financial Services Roundtable, Mortgage Bankers Association and the National Association of Home Builders. In its letters to [President Obama](#) and Members of the [House of Representatives](#) and [Senate](#), NAR stated its concerns with the proposal's impact on housing values and the pace of economic recovery. According to NAR's analysis of the proposal, changing the mortgage interest deduction will not only negatively impact the 2 percent of families who own homes targeted by the proposal, but also will impact home prices and values across the board. The middle class would see their home values reduced even further by such action, and NAR cautioned that any further pressure on home prices will hamper the economic recovery, raise foreclosures and hurt banks' abilities to lend.

ii. The Obama Housing Plan: Making Home Affordable

On February 18, 2009, President Obama announced his housing plan designed to help 7 to 9 million families avoid foreclosure by refinancing or modifying their mortgages. The plan also strengthens the federal commitment to Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs).

On March 4, 2009, the administration released detailed guidance on the Making Home Affordable Program. Here are the key elements of the Obama plan:

1. The Home Affordable Refinance Program. Under this program, eligible borrowers may refinance loans that Fannie Mae or Freddie Mac (the government sponsored enterprises, or GSEs) own or guarantee. The program can help homeowner-occupants who are current in making loan payments and have loan-to-value ratios (LTVs) above 80 percent but not more than 105 percent. Cash out refinancings are not permitted. The program ends in June 2010.

2. The Home Affordable Modification Program. This is a \$75 billion program with lender, servicer, investor, and borrower incentives to make it work. The program is limited to homeowner-occupants who are at risk of default or already in default and who have loans at or below the maximum GSE conforming loan limit of \$729,750 (or higher for 2-, 3-, and 4-unit properties). Loan modifications under the program may be made until December 31, 2012.

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3. More Support for the GSEs. President Obama also announced more support for the GSEs, including doubling of potential Treasury investment from \$100 billion to \$200 billion for each GSE, to maintain their positive net worth. The plan also raises the cap on mortgages that the GSEs may hold in their portfolios by \$50 billion to \$900 billion.

iii. REALTORS® Pledge Assistance for Obama Guidelines on Foreclosure Fixes

Charles McMillan, President of the National Association of Realtors®, issued the following statement on the Making Home Affordable Program:

“NAR’s 1.2 million members are eager to help make President Obama’s Making Home Affordable plan a reality. We are pleased that the president released the guidelines today for refinancing and mortgage loan modifications and that the guidelines will be implemented immediately to help struggling homeowners as well as millions of eligible homeowners who have stayed current in their mortgage payments.

“Housing stabilization must be the key component of any federal recovery plan. Helping families keep their homes is critical to this effort and for the health of our economy and communities across the country.

“NAR has long called for a multipronged approach to address the housing and economic crisis. Allowing eligible homeowners to refinance or modify their loans will help millions of families avoid foreclosure. This in turn will support the housing recovery by slowing the growth in inventory due to foreclosures. Lowering unsold inventory will help stabilize home prices and values. We believe that the incentives the loan modification plan offers to borrowers and loan servicers will encourage additional loan modifications, reducing the default rate.

“Moving forward, we must not only work to prevent foreclosures, but also bring financially healthy home buyers to the market to further reduce unsold inventory. Toward this end, we hope that the president and his administration will continue to look for new and creative approaches that will lower interest rates for all homeowners and buyers.”

For more detailed information on the Making Home Affordable plan, visit www.financialstability.gov. For more information on the steps NAR is taking to help combat the foreclosure crisis, please see Section ix.

iv. HUD to Delay Contested Provision of Final RESPA Rule

On Friday, March 6, 2009, the U.S. Department of Housing and Urban Development (HUD) announced that it intends to seek further public comment on how it should define the scope of a prohibited practice called "required use" under the Real Estate Settlement Procedures Act (RESPA). HUD will delay the planned implementation of RESPA's required use provision for 90 days, or until July 16th, as it solicits public comment on whether to withdraw its new definition that would have taken effect in January.

Last year, HUD proposed changing this required use definition to help consumers shop more effectively for homes, mortgages and settlement services that are best for them, free from the influence of disingenuous discounts and incentives that steer consumers to the use of affiliated businesses. HUD's final rule revised the definition of "required use" to enhance consumer protections against certain practices conducted by affiliated business arrangements.

v. Fannie Mae and Freddie Mac Release Refinancing Guidelines; Freddie Slashes Fees for Refinancings

On March 4, 2009, Fannie Mae and Freddie Mac released guidelines on refinancing and loan modification options that implement President Obama's Making Home Affordable Program. The guidelines go further, however, to provide more flexible refinancing opportunities.

Fannie Mae Announcement 09-04 implements the Obama Home Affordable Refinance program but provides even greater flexibility for refinancing Fannie Mae mortgages under new Refi Plus programs. One significant additional flexibility is that Fannie is allowing refinancing of eligible second home and investor loans. In addition, mortgages that do not have private mortgage insurance in force are not required to obtain it even if the new loan-to-value ratio exceeds 80 percent. The Announcement states that Fannie Mae is not permitting the refinanced mortgage to be a jumbo conforming loan (a loan above \$417,000 up to \$729,750 in high cost areas), but accompanying Frequently Asked Questions which state that the new loan may be a jumbo conforming loan (either under the original 2009 permanent limits or under the new higher 2009

temporary limits once Fannie announces eligibility criteria for the temporary limits later this month). Fannie has lowered fees for some borrowers between 25 and 50 basis points, but is under pressure to slash fees as Freddie has done. The program begins on April 1, 2009.

Freddie Mac Bulletin 2009-5 establishes Freddie's Relief Refinance Mortgage program that also provides even greater flexibility for refinancing Freddie mortgages. Like Fannie Mae, Freddie is also allowing refinancing of eligible second home and investor loans and is not requiring private mortgage insurance if the mortgage being refinanced does not have insurance in force. The Freddie Mac announcements this week appear to conflict on whether jumbo conforming mortgages are eligible for refinancing, and NAR has asked for clarification. Freddie has slashed fees for the refinanced mortgages and is only charging the 0.25% market condition fee but not additional fees based on the borrowers' credit scores and loan-to-value ratios. This is a huge advantage for borrowers with Freddie Mac mortgages, and Fannie is under pressure to match the fee cuts. The program begins on April 1, 2009.

vi. Fannie Instructs its Servicers Not to Cut Commissions on Short Sales

On February 24, 2009, Fannie Mae sent Announcement 09-03 to its servicers instructing them not to negotiate commissions on short sales below the amount negotiated by the listing agent (unless the commission exceeds 6 percent). The requirement took effect March 1, 2009. Fannie Mae recognizes that (a) negotiating commissions for short sales is unfair because getting a short sale to closing requires intensive work over many months, often requiring working with numerous buyers, and (b) compensating real estate agents fairly benefits Fannie Mae because agents play a crucial role in short sales. The Announcement reminds servicers that third party approvals (i.e., private mortgage insurers) may be required, which can affect commissions. NAR has asked both Fannie Mae and Freddie Mac to strengthen their policies against reducing short sales commissions, welcomes Fannie's announcement, and has urged Freddie to follow Fannie's lead.

vii. Ensuring that Seller-Financing is Exempt from the S.A.F.E. Act

Over the last several weeks, a number of REALTORS® from across the country have reached out to NAR regarding their state's enactment of mortgage licensee legislation as mandated by the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), enacted as title V of the Housing Economic Recovery Act (HERA) of 2008. The SAFE Act requires loan originators to be licensed under a state system meeting federal requirements or, if any state fails to enact legislation for such a system, under a system established by the U.S. Department of Housing and Urban Development (HUD). Section 1503 defines "loan originator" but does not include an explicit exemption for a seller who finances all or a portion of the sale of real property. NAR does not believe that it was Congress' intent, when crafting this bill, to license sellers providing financing of property they own. In fact, as the language for the legislation was being crafted, NAR worked hard to achieve an exclusion from the definition of loan originator for individuals and entities that only perform real estate brokerage activities and are licensed under state law, unless they are compensated by a lender, mortgage broker, or other loan originator.

NAR is now working with Congress to fix the language, so that the seller financing coverage is removed and the intent, to protect consumers against mortgage fraud, can still be pursued. In the interim, many states are in the process of adopting model legislation based on the Federal standards as a minimum standard.

viii. REALTORS® Get the Right Tools, Right Now

To help REALTORS® meet their clients' needs and succeed in today's economic climate, NAR is offering its roster of business-building resources to members for free or at significantly reduced costs through the association's new "Right Tools, Right Now" initiative. More than 300 resources are being offered through "Right Tools, Right Now." Realtors® can take advantage of education and online training opportunities, access NAR publications and research, attend conventions and events, and obtain technology services for free or at a discount. Local and state associations and boards also have access to resources and materials through the initiative.

Among the many useful tools available to Realtors® at no cost are eProduct versions of the 2007 and 2008 NAR Profile of Home Buyers and Sellers and the 2007 Profile of Buyer's Home Feature Preferences, as well as valuable information on short sales, foreclosures, business tips and marketing.

For more information on the products, publications, services and enhancements available through the "Right Tools, Right Now" initiative, visit www.REALTOR.org/RightTools.

ix. NAR Introduces “Foreclosure Prevention and Response Program”

As part of its Right Tools Right Now initiative, NAR launched on Monday, March 2, 2009, a \$3 million initiative called the “Foreclosure Prevention and Response Program” to aid REALTORS®, homeowners and the nation’s communities in combating foreclosures in their neighborhoods. Through this program, NAR will provide grants to help state and local REALTOR® associations develop coordinated plans of action to prevent foreclosures and respond to their adverse effects. In addition to these grants, the program will also provide an online toolkit for associations to assist them in their foreclosure prevention and response efforts including: educational resources and training materials, government and private grant programs, consulting services, community outreach programs, and best practices related to foreclosure prevention and response. For more information on the “Foreclosure Prevention and Response Program”, please visit <http://www.REALTOR.org/foreclosure> or contact Bill Gilmartin, wgilmartin@realtors.org.

x. Broker Involvement Program

NAR has discovered that when brokers alert their agents to key issues, agents listen and respond. The Broker Involvement Program is designed to give you, the principal broker, a quick tool to enlist your company’s agents in bringing to Congress’ attention issues of concern to you and your business. The Program provides your agents a direct communication link to their lawmakers and in just seconds allows your agents to express their opinions on those business issues with a personal letter that’s ready for them to sign and send. Specifically, the Broker Involvement Program offers:

- An efficient and easy to use web-based function, called the Broker Portal, to personalize messages to each of your agents from you requesting their participation in federal “Calls for Action.” NAR writes and sends the message on your approval.
- Your agents receive a special message from you with a pre-written letter to their federal lawmaker(s) ready for their signature.
- An opportunity to bring a strong and united REALTOR® voice to members of Congress.
- Your involvement will strengthen REALTOR® influence in determining outcomes of legislation.

In the last “Call for Action” (CFA), which was in support of the \$15,000 tax credit, the response rate improved 71% when agents received a message from you about CFA. By urging your people to respond to NAR’s CFAs, we can shine a very bright light in Congress on important real estate issues and meet this objective. For more information about this program, please contact Ed Lawler, elawler@realtors.org. To enroll your company, please visit www.realtoractioncenter.com/realtors/brokers/.

Your feedback is important to us as we want to make sure the information you receive is relevant and beneficial. If you have any comments or suggestions for upcoming topics or issues you want covered, including recommendations on how to improve this newsletter, please contact the Real Estate Services staff.

Real Estate Services Staff

Ken Trepeta – Director, ktrepeta@realtors.org

Kara Beigay – Communications Manager, kbeigay@realtors.org (**Media contact**)

Patricia Tarhon – Project Coordinator, ptarhon@realtors.org



**NATIONAL ASSOCIATION
OF REALTORS®**

The Voice For Real Estate®

National Association of REALTORS®
500 New Jersey Ave NW
Washington, DC 20001