



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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January 30, 2008

United States Senate
Washington, DC 20510

Dear Senator:

The National Association of REALTORS®, on behalf of its 1.3 million members, strongly supports the inclusion of housing provisions in the Senate's economic stimulus package. These provisions will create safe and affordable mortgage options for American homeowners and provide much needed stability for local economies.

As you know, the House of Representatives overwhelmingly passed a bipartisan economic stimulus package (H.R. 5140) yesterday, which includes increases for the FHA and GSE loan limits. NAR urges you to include these same provisions in the Senate's economic stimulus package.

NAR supports increasing the Fannie Mae and Freddie Mac (GSE) loan limits to infuse much-needed liquidity to an important segment of the mortgage market now under stress. Raising the GSEs' conforming loan limit will provide immediate relief to borrowers and alleviate any downward pressure on already fragile housing markets and the broader economy. NAR research indicates that increasing the GSE loan limit will result in more than 300,000 additional home sales.

Furthermore, the lack of a viable secondary market for jumbo loans (loans in excess of \$417,000) is exacerbating weakened housing market conditions. This is evidenced by the fact that at the end of 2007, the volume of jumbo loans dropped sharply to half of the total origination at the beginning the year. The result is a spike in interest rates for jumbo loan borrowers – one percentage point above conforming loan rates – because investors are backing away from securitizing nonconforming mortgages. This is costing homeowners an additional \$274 to \$411 in higher interest payments monthly, money that can be used by consumers to further stimulate our economy.

NAR also supports a provision to increase the FHA loan limits. Current law restricts FHA loans to levels that are well below the median home price in many areas of the country and caps loans in high costs states at \$363,790. FHA loans have not kept pace with changing price conditions in local housing markets and must be adjusted to reflect current home price sales activity including softening housing conditions. NAR believes this increase will help an additional 138,000 Americans purchase and 200,000 families refinance their homes safely and affordably.

NAR's near-term forecast for the housing market continues to point toward weak conditions and sizeable pent-up housing demand. While increasing the FHA and GSE loan limits will not solve the full range of housing challenges ahead both proposals will boost a sagging housing economy and help bring stability to our nation's overall economy shielding consumers from the effects of a possible recession. The GSE and FHA proposals are good, sound proposals that will greatly benefit housing and our economy. We urge your strongest support for these proposals in the Senate bill.

Thank you,

Richard F. Gaylord, CIPS, CRB, CRS, GRI
2008 President, National Association of REALTORS®