



NATIONAL  
ASSOCIATION of  
REALTORS®

Ron Phipps  
ABR, CRS, GRI, GREEN, e-PRO, SFR  
2011 President

Dale A. Stinton  
Chief Executive Officer

**GOVERNMENT AFFAIRS DIVISION**  
Jerry Giovaniello, Senior Vice President  
Gary Weaver, Vice President  
Joe Ventrone, Vice President  
Jamic Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW  
Washington, DC 20001-2020  
Ph. 202-383-1194 Fax 202-3837580  
www.REALTOR.org

July 19, 2011

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
Washington, DC 20220

The Honorable Shaun Donovan  
Secretary of Housing and Urban Development  
Washington, DC 20410

Gene B. Sperling  
Director of the National Economic Council and  
Assistant to the President for Economic Policy  
Washington, DC 20500

Dear Secretary Geithner, Secretary Donovan, and Mr. Sperling:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to provide recommendations and solutions to stabilize and revitalize the housing industry and economy. The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

Secretary Donovan, I appreciated very much the chance to meet with you on July 7, 2011; this letter will serve to underscore many of the matters we discussed. Secretary Geithner and Mr. Sperling, we appreciate the ongoing dialog with the Administration and we look forward to meeting with you as well. In appearances before Congress last week Federal Reserve Chairman Ben Bernanke said "we have to get our housing finance system back in order." He is right. President Obama recently acknowledged the difficulty in addressing the challenges in the housing market when he said "that's probably been the area that's been most stubborn to us trying to solve the problem."

As you know, the recovery of the housing industry is key to the nation's economic strength. The unemployment rate remains above 9 percent<sup>1</sup> and we believe you cannot fix the jobs problem unless we fix housing. According to our data, for every two homes sold one job is created and almost \$60,000 is added to the gross domestic product (GDP).<sup>2</sup> Reports indicate that the Administration is seeking solutions to the housing crisis.



REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

<sup>1</sup> Employment Situation Summary. Bureau of Labor Statistics. Department of Labor.  
<http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>2</sup> Jobs Impact of an Existing Home Purchase. National Association of Realtors.  
[http://www.realtor.org/statsanddata/homeownership/job\\_impact\\_purchase](http://www.realtor.org/statsanddata/homeownership/job_impact_purchase)

With this in mind, we offer the following recommendations, of which the regulatory items are under your control, to ensure housing leads the way out of today's economic struggles:

### **Regulatory**

- Revise the proposed definition for the Qualified Residential Mortgage (QRM) exemption from risk retention under the Dodd-Frank Act to encourage sound lending that reduces future defaults without delaying or denying homeownership to millions of creditworthy borrowers. The expected rise in mortgage rates will hold back home sales by at least 500,000 annually. Including a downpayment requirement of 20 percent could potentially impact 1/3 of all homebuyers.
- Reduce the overcorrection in underwriting standards for GSE and FHA mortgages that has resulted in excessively stringent standards that are preventing creditworthy buyers from getting loans. It is estimated that home sales are lowered by approximately 15 percent as a result of unnecessarily stringent underwriting standards.
- Allow greater flexibility for project approval for condominium projects insured by FHA. At a time when FHA's condominium portfolio has never been stronger, new condominium rules are overly restrictive for owner-occupancy requirements, pre-sale requirements, delinquent homeowners association dues, and maximum investor ratios. Restoring the "Spot Loan" process would help many buyers as well.
- Open up the FHA Section 203(k) rehabilitation program to investors. This will facilitate the rehab of the existing housing stock and help reduce the inventory of foreclosed homes by encouraging investor purchases.
- For a two-year period, permit simple assumptions for all mortgages insured by FHA. Currently, FHA permits simple assumptions only on mortgages originated prior to December 1, 1986. Mortgages originated after this date require a Creditworthiness Assumption. This will help avoid foreclosures by facilitating more sales.
- Make changes to FHA's Neighborhood Watch database to ensure that there are "apples-to-apples" comparisons of lender loan performance. This change will encourage lenders to do loans below the average credit score, which right now is 705. The current approach is having an adverse effect on lender behavior. Lenders are simply not going to make loans to eligible borrowers with lower credit scores as long as the lenders are evaluated only on aggregated Neighborhood Watch data.
- Create a transparent secondary mortgage marketplace that enables access for all lenders, in all markets, and under all economic conditions to ensure consumers have access to mortgage capital.
- Direct Fannie Mae, Freddie Mac and servicers to prioritize short sales above foreclosures.
- Set national standards for loss mitigation and servicer performance.

## Legislative

- Extend the Federal Housing Administration (FHA) and government sponsored enterprises (GSE) mortgage loan limits, with public support by the Administration. With housing markets struggling to recover, the last thing we need to do is to put avoidable stumbling blocks in the path of a much needed housing recovery. Without a housing recovery, the nation's economy as a whole will struggle to recover. Lowering the loan limits will negatively impact 669 counties in 42 states and the territories.
- Reauthorize, on a long-term basis, and reform the National Flood Insurance Program (NFIP) to place the program on a path to financial security and actuarial accuracy. The NFIP has been reauthorized nine times in the last two years, and the resulting uncertainty is hurting affected housing markets. The NFIP ensures access to affordable flood insurance for 5.6 million home and businesses owners in more than 21,000 communities across the country. The expiration of the NFIP in June 2010 alone resulted in the delay or cancellation of 47,000 home sales, according to NAR survey data.
- Retain federal support for the 30 year mortgage and mortgage interest deduction.
- Provide tax and other financial incentives for investors who will buy and renovate vacant properties in hard hit communities.

We believe and see evidence every day that the pendulum has swung too far already with regard to mortgage credit regulation. The risky loan products that led to the mortgage crisis are dead and buried, yet it seems that it is becoming harder and harder to get a mortgage or close a transaction. More regulations and legislation tightening access to credit and affordable safe mortgages is not the answer. That is why we would like to have the opportunity to have a broad discussion amongst all stakeholders about what needs to be done to right the housing market and the economy.

Thank you for your time and consideration of this matter. If you would like to further discuss this issue contact me or our SVP and Chief Lobbyist, Jerry Giovaniello, at 202.383.1115 or [jgiovaniello@realtors.org](mailto:jgiovaniello@realtors.org).

Sincerely,



Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR  
2011 President, National Association of REALTORS®

cc: William Daley, Chief of Staff to President Barack Obama