



## **UNLOCK AMERICA'S ECONOMY: SUPPORT NAR'S HOUSING STIMULUS PLAN**

Our nation is facing an unprecedented lack of liquidity throughout every sector of the economy. This has placed insurmountable barriers in the path of too many homeowners wishing to avoid foreclosure and save their home and home buyers wishing to take advantage of the low mortgage rate environment and realize the American dream of owning a home. The NATIONAL ASSOCIATION OF REALTORS® believes it is imperative that Congress take action and restore consumer confidence in homeownership. We are calling on Congress to enact measures that address foreclosures, stabilize housing and real estate, energize credit markets, restore bank lending capacity and revitalize the economy.

***Make the \$7500 first-time homebuyer tax credit available to all buyers, eliminate the repayment requirements and extend the credit to December 31, 2009.*** In July 2008 Congress passed legislation creating a refundable tax credit for first-time homebuyers. The \$7500 credit is in effect for purchases between April 9, 2008 and July 1, 2009. Consumers have shown little interest in the credit, in large part because it is not available to all purchasers and because, unlike other credits, this tax credit must be repaid.

***Restore the FHA, Fannie Mae and Freddie Mac maximum loan limits to \$729,750 and make them permanent.*** The economic stimulus loan limits for Freddie Mac, Fannie Mae and FHA expired on December 31, 2008. As a result, the maximum limit for Fannie Mae, Freddie Mac and FHA dropped from \$729,750 to \$625,500. Returning these limits to their 2008 levels and making them permanent will strengthen the availability of mortgage credit and expand mortgage affordability in a time when home sales and refinance activity are necessary to stabilize the housing market and move the broader economy towards recovery. This will also assure that a wide range of borrowers have access to fair and affordable mortgages.

***Get Treasury's Troubled Asset Relief Program (TARP) back on track and target more funds to mortgage relief. Create a federal mortgage interest buy-down program to bring down interest rate spreads to historical averages and reduce mortgage interest rates.*** It is crucial that the government continue its actions to bring down interest rate spreads between mortgage and Treasury rates to historical norms which will significantly reduce mortgage interest rates. Recent actions by the Federal Reserve and the Treasury are making mortgage interest rates more affordable. Mortgage rates are near 50-year lows but the spread between mortgage rates and Treasury rates are abnormally high. If rates drop in line with historic trends, home sales could rise nationally by 10 to 15 percent and stabilize prices in many parts of the country. While this is a good boost, mortgages need to be more attainable. There continues to

be continuing problems impeding the delivery of mortgage credit to home buyers and those trying to avoid foreclosure. The federal government must step in and address these problems. Corrective actions that NAR is advocating include:

- The Treasury Department should provide additional TARP funds to make added loans for housing, establish foreclosure prevention programs, modify more mortgage loans to prevent foreclosures to the maximum extent possible, establish an efficient and effective short sales process, or a combination of these activities.
- All mortgage lenders, their servicers, Fannie Mae and Freddie Mac, and investors in mortgage assets should adopt and implement aggressive policies that result in more mortgage loan modifications to prevent as many foreclosures as possible. Where sustaining homeownership is not possible, these entities should facilitate short sales that will benefit all parties.
- Mortgage lenders and private mortgage insurers should (1) reexamine underwriting standards to determine whether they have over-corrected in response to abuses in the mortgage market, and (2) remove unnecessarily strict underwriting standards (such as requiring excessively high credit scores that result in qualified borrowers being arbitrarily denied a loan).
- Consumer reporting agencies (credit bureaus) should improve compliance with the Fair Credit Act, including prompt responses to consumers who seek to correct files and errors.
- The FHA should make investors eligible to participate in its Section 203(k) Rehabilitation Loan Program to help dispose of large numbers of vacant foreclosed properties for rehabilitation and conversion to homeownership. Additionally, Fannie Mae and Freddie Mac should increase their selling guide ceilings on investor loans to facilitate investor participation in the housing recovery.
- Congress should oppose the imposition of fees or increased fees by Fannie Mae and Freddie Mac that translate into major new costs on homebuyers and homeowners seeking fair and affordable mortgage loans.
- FHASecure, which helped more than 450,000 families modify their mortgages and stay in their homes before it was sunset, should be reinstated. In addition, reforms to the Hope for Homeowners program should be made to increase its efficiency and effectiveness.