CALIFORNIA ASSOCIATION OF REALTORS®

January 4, 2012

«Title» «First_Name» «Last_Name»
«Company_Name»
«Address_Line_1»
«City» , «State» «ZIP_Code»

2012 OFFICERS

LeFrancis Arnold
President

Don Faught
President-Elect

Chris Kutzkey
Treasurer

Joel Singer
Chief Executive Officer/ State Secretary

Re: Repeal of Guarantee Fee and Mortgage Insurance Premium Increases as Offsets to Payroll Tax Extension

Dear Representative «Last_Name»:

On behalf of the more than 150,000 members of the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.), I am writing to ask Congress to repeal the current offset to the extension of the "payroll tax holiday." While C.A.R. supports Congress' endorsement of a long term governmental role in maintaining an efficient secondary mortgage market, the increases to guarantee fees charged by Fannie Mae and Freddie Mac and the increase in the mortgage insurance premium charged by the Federal Housing Administration (FHA) are both inappropriate and unwise. While C.A.R. understands the need for Congress to extend this valuable tax relief for many low- and middle-class citizens, the chosen mechanism for paying for the cost has merely transferred this burden to future homebuyers. It also set a dangerous precedent that risks the future of real estate finance and the nation's housing market. When Congress revisits the issue early this year C.A.R. is asking you to oppose any proposed legislation that is funded using this type of mortgage tax on homebuyers and repeal the existing offset as quickly as possible.

As stated above, in these difficult times when so many household are struggling to make ends-meet C.A.R. and its members understand the need to extend the payroll tax holiday. However, what Congress has done to offset part of this cost is to effectively place a mortgage tax on future homebuyers for the next 10 years. Higher guarantee fees and insurance premiums will directly harm the ability of low-income homebuyers, first-time homebuyers, and minority homebuyers to acquire a mortgage. In truth what the bill does is force the payroll tax beneficiaries to pay the cost of their own tax benefit through higher mortgage payments.

C.A.R. has great concern over the precedent set by this legislation. The bill mandates homebuyers to pay for the cost of government spending that is not directly tied to a program related to the mortgage product or service received by the homebuyer. As Congress faces future debt ceiling debates, budget deadlines, and a litany of expiring tax provisions at the end of 2012, C.A.R. and its members fear this bill sets a precedent that the federal government can tax future homebuyers whenever it is politically convenient to do so. This cannot be allowed to happen.

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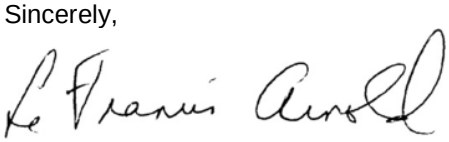
Lastly, this legislation manipulates the intended purpose of the guarantee-fees and insurance premiums, and needlessly increases the cost of buying a home at a time when the real estate market and overall economy are still trying to recover. Guarantee-fees and insurance premiums are set by the appropriate regulators as a means to ensure that Fannie Mae, Freddie Mac and FHA are charging appropriate fees to cover the risks they are taking, expected losses from that risk, and ensure the underlying mortgage backed security. Diverting these fees for other purposes weakens the ability of the Enterprises and FHA to provide safety and soundness to the nation's mortgage finance system.

C.A.R. appreciates your consideration of our comments on this issue and our members hope Congress will act to repeal this unnecessary mortgage tax on homebuyers. If you would like to discuss these or any other issues related to the proposed rule, please do not hesitate to contact Matt Roberts, C.A.R. Federal Government Affairs Manager, at (213) 739-8284 or by email at matthewr@car.org.

Sincerely,



LeFrancis Arnold
2012 President
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