November 6, 2008

California Congressional Delegation
United States House of Representatives
Washington, DC 20515

Dear Representative:

The California Association of REALTORS® (C.A.R) and the California Association of Mortgage Brokers (CAMB) believe it is imperative for Congress to return to Washington, D.C. following the November 4 elections to pass an economic stimulus package that will address the continued slide in home prices and take decisive steps to stabilize California's and the nation's housing markets. Despite increased home sales this year compared to 2007, the decline in home prices across California and the country has proven to be a major obstacle to stabilizing the economy.

We urge you to include provisions in an emergency economic stimulus package to: extend the current Federal Housing Administration (FHA) and Government Sponsored Enterprises (GSE) loan limits at 2008 levels; modify the first-time homebuyer tax credit to ensure it can be utilized effectively; preserve the availability of seller-funded downpayment gift assistance for homebuyers; crack down on unscrupulous "foreclosure consultants" who prey on vulnerable homeowners; and ensure the federal capital injections used in the Troubled Assets Relief Program (TARP) are circulated into the mortgage market.

Congress must extend the GSE and FHA loan limits at their current levels. It would be a mistake in this credit crisis to allow HUD to reset and lower GSE and FHA loan limits in high-cost areas at the end of the year. This would have a detrimental impact on an already strained marketplace because decreased loan limits would cut off the only stable and affordable supply of capital to these high cost housing markets. The difference in interest rates between a conforming 30-year loan and a jumbo 30-year loan is now a full 3 percent. By lowering the loan limits in high cost areas, home prices would be further depressed, extending and worsening the current decline in home values across the state. Our hardest hit Metropolitan Statistical Areas (MSAs) in California and across the country desperately need their area loan limits to remain at their current levels.

Congress should remove the payback requirement for the $7,500 first-time homebuyer tax credit and buyers should be allowed to utilize these funds at the time of home purchase at no additional cost. The full potential of the first-time homebuyer tax credit has yet to be realized due to the credit's payback requirement and because the tax credit, as structured, does not help families that do not have the up-front money needed to purchase a home. The goal of the tax credit would be better realized if homebuyers could utilize the credit during the home purchase toward closing costs and downpayment requirements and if the credit did not come with a repayment obligation. Should Congress allow consumers to utilize their tax credit at the time of the home purchase transaction, the consumer must be protected against fees, commissions or any other actions that would prevent the homebuyer from utilizing the full tax credit they are qualified to receive.

Congress should preserve the ability for creditworthy homebuyers to receive seller-funded downpayment assistance (DPA). DPA programs are a necessary component to the recovery of our housing market, the stabilization of home values, and the broader recovery of our economy. Because of their elimination on October 1, over $100 million per month of downpayment assistance and 25,000 creditworthy homebuyers per month were removed from the market. In the last quarter alone, DPA recipients comprised 15 to 30 percent of home sales for our nation's largest home builders. Without DPA, the decline in home values will only get worse as fewer new homebuyers are able to enter into the

market. Unlike the 100 percent financing options of subprime mortgage products, DPA programs provide homebuyers with a gift that will never be required to be repaid. This allows the gift recipient to achieve homeownership with immediate equity and a safe, fixed rate mortgage through the FHA program. The preservation of DPA programs are a necessary component to the recovery of our housing economy. We support reforms to the program to ensure only legitimate charities can provide DPA, only creditworthy homebuyers can receive a DPA gift, and to require homeownership counseling to be made available to all DPA gift recipients so that they understand the responsibilities of homeownership.

Congress should take steps to prevent unscrupulous "foreclosure consultants" from preying upon uninformed and vulnerable homeowners. Many "foreclosure consultants" work in the best interests of their clients to modify troubled mortgages so homeowners may avoid foreclosure. However, some have simply taken money in advance while not performing any services at all, leaving many homeowners on the streets with their homes foreclosed upon. Just as with any real estate transaction, those assisting with a loan modification should only receive payment once the transaction is completed. Congress should ensure that modification activities are defined as real estate activities so that all regulations of current law apply to "foreclosure consultants." In addition, a national minimum requirement modeled after California's law governing our Department of Real Estate licensees, would ensure all Americans are protected from predators when they are trying to avoid foreclosure.

Lenders participating in the Troubled Assets Relief Program (TARP) should: be required to extend credit down to "Main Street", making credit more available to consumers and small businesses; expedite the process for short sales; and expedite the resolution of banks' real estate owned (REO) properties. As the federal government seeks to stabilize the financial system, it is important to ensure capital injections are used to address illiquidity in our mortgage markets. Any lenders that participate in the TARP program must be required to ensure the capital they receive from the federal government is circulated into the mortgage market. In addition, lenders must expedite the short sale and foreclosure process for homeowners who are unable to rework their loans. While foreclosure avoidance is in the best interest of homeowners, lenders, and the communities, we recognize this might not be a viable option for every troubled homeowner. In these cases, lenders must expedite the short sale and foreclosure process. Currently, short sale and REO offers have languished for months without responses from lenders; all-the-while depressing home values in the neighborhood.

As members of the housing industry in California, C.A.R. and CAMB thank you for your consideration of our views about how best to stabilize home prices and stimulate the housing markets. Please feel free to call upon us should you have any questions. We look forward to working with you as Congress moves to pass economic stimulus legislation in the coming weeks.

Sincerely,

William E. Brown
President
California Association of REALTORS®

Fred Arnold, CMC
President
California Association of Mortgage Brokers