

EYE ON THE HILL

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Congress Moves on Key NAR Legislation:

FHA Reform and Terrorism Insurance Highlight Recent Actions

NAR has been working with Congressional leaders, since the beginning of the year, to move forward on a series of proposals designed to help stabilize mortgage markets and ease the Credit Crunch, modernize FHA, strengthen the regulation of Fannie Mae and Freddie Mac and ensure continued availability of terrorism insurance coverage. Additional proposals specifically designed to help mitigate the fallout of the subprime mortgage market turmoil are also moving forward. The legislation moved in Congress this week in Washington, DC (September 17-21) is an important step toward returning strength and stability to real estate markets across the country and marks the successful efforts of NAR Advocacy on behalf of more than 1.3 million real estate professionals.

FHA MODERNIZATION: Provides Existing and Potential Homeowners Financing Alternatives

Working in close consultation with House Financial Services Committee Chairman Barney Frank, (D-MA) Representative Gary Miller (R-CA) and Representative Maxine Waters (D-CA), NAR helped illustrate the need to provide home buyers a safer alternative to high-risk mortgage products. The bill will help families facing possible foreclosure by giving them access to traditional fixed rate FHA products for refinancing. The Expanding American Homeownership Act of 2007, H.R. 1852 institutes the following reform measures:

- Increases FHA loan limits to 125% of the median local home price
- Provides FHA with the flexibility to provide risk-based pricing
- Removes restrictive FHA regulations on refinancing creating additional options for consumers
- NAR is working closely with Senators Chris Dodd (D-CT) and Richard Shelby (R-AL) on the companion bill moving through the Senate Committee on Banking

Terrorism Risk Insurance

On September 19, 2007 the House of Representatives reauthorized, by a vote of 312 to 110, the federal government's terrorism risk insurance program. NAR has long supported an extension of the program as an essential component of maintaining a strong commercial real estate market and healthy national economy. REALTOR® allies Representatives Gregory W. Meeks (D-NY), Debbie Pryce (R-OH), Peter King (R-NY) and Paul E. Kanjorski (D-PA) helped illustrate the importance to the economy of the commercial real estate industry and the need to find a long-term solution. Terrorism Risk Insurance, H.R. 2761 institutes the following reform measures:

- Extends the terrorism insurance program for commercial properties, created after the September 11, 2001 terrorist attacks, for 15 years
- Expands coverage for commercial properties to include nuclear, biological, chemical or radiological (NBCR) attacks
- Requires the Treasury Department to report on the terrorism insurance market every two years including analysis of the effects of terrorism insurance pricing on commercial real estate
- Establishes a blue-ribbon commission to recommend long-term private market solutions

Next Steps

- NAR will be working with our Congressional allies to move forward on Fannie and Freddie Reform
 - Including increased conforming loan limits
 - Higher mortgage portfolio caps.
- NAR continues to work with **Congressmen Robert Andrews (D-NJ) and Ron Lewis (R-KY)** on the **“Phantom Tax” issue**. Currently a property owner who has a portion of a mortgage loan forgiven is issued IRS Form-1099 indicating the amount of the forgiveness as income. The property owner is required to pay taxes at their regular income tax rate. **Congressman Andrews’ bill, H.R. 1876,** would exclude certain forgiven residential mortgage obligations from the gross income of individual taxpayers. The House Ways and Means Committee is expected to move on this bill as early as next week.
- In the United States Senate, NAR has been working with **Senators Debbie Stabenow (D-MI) and George Voinovich (R-OH) on companion legislation, S.1394.**
- Individually, each bill passed by the House will help create additional stability in certain market segments. Collectively, the measures, when coupled to the actions of the **administration, regulatory agencies and the Federal Reserve** will go a long way toward **helping restore stability** to the overall real estate market.
- NAR will continue to work with our Congressional allies to forge solutions that respect the power of the markets and provide consumers with the flexibility necessary not only to buy a home but to keep that home.