

President's Message, July/Aug 2008  
by Dennis M. Page, President  
Northeast Association of REALTORS®

We have all been affected this year by the fallout from Wall Street's sub-prime fiasco, which has introduced a huge strain onto our nation's mortgage loan system. I am extremely pleased to report that, once again, our REALTOR® Association has come through for us, this time in the form of a mega-housing bill that was just passed by both branches of Congress and signed into law by the President.

As I've stated in past messages, all levels of the REALTOR® organization as well as our grassroots membership have been working hard all year to support key provisions of this legislation. Thanks are due to all of you who answered NAR's Calls to Action throughout the year on various aspects of this legislation, and to all of you who took the time to tell your U.S. Representatives and Senators about the importance of passing the bill in a form that would meaningfully impact millions of Americans and the U.S. economy as a whole.

The bill's key provisions (see end of story or go to [http://www.realtor.org/gapublic.nsf/pages/hr\\_3221\\_key\\_provisions?OpenDocument](http://www.realtor.org/gapublic.nsf/pages/hr_3221_key_provisions?OpenDocument)) include a \$7,500 homebuyer tax credit (not just a deduction, but a real, honest-to-goodness tax credit!) repayable over 15 years, as well as permanently raised conforming loan limits in high cost areas like ours that will reduce the need for jumbo loans and their associated restrictions and higher fees. Additionally, long-overdue FHA reform is another important aspect of the bill that is expected to bring FHA financing back to a substantial portion of the mortgage financing in the country.

Other important provisions in the bill will tighten regulation of the mortgage lending industry and provide reform of the so-called GSE's – Government-Sponsored Enterprises, Fannie Mae & Freddie Mac. These measures are intended to improve the safety and soundness of mortgage lending in the country going forward, and should help to ease the concerns causing economic uncertainty at this time.

NEAR members will want to note that our next membership meeting will be held at the Board office on August 7 at 9:00 a.m. and includes a panel of local experts on new financing guidelines. For a registration flier, go to <http://www.massnear.com/flyers/Flyer-2008MayDownpaymentAsstUpdated.pdf>. At only \$5 each, seats are expected to go quickly.

Throughout 2008, I have seen first-hand how our National Association of REALTORS® “has our backs” in Washington D.C., and I've been truly impressed. As I mentioned in an earlier column, our new Congressperson Niki Tsongas (D-MA) displayed a remarkable grasp of the many complicated details of the housing bill when we met with her at REALTOR® Days on Capitol Hill this past May. She has continued to work closely with Rep. Barney Frank (D-MA), Chairperson of the House Financial Services Committee, to ensure that the many preferable House aspects of the bill won the day. Of course, the bill does not include every provision that the REALTORS® sought, but it is nevertheless a huge step in the right direction toward stabilizing local housing markets and the economy.

While it's true all real estate is local, and that, in many areas of the country, the housing market is in far worse shape than our own especially due to overbuilding, the bill just passed with the help of the REALTOR® organization will go a long way toward improving the lives of our clients and customers, and the American Dream of Homeownership.

### The New Law's Key Provisions:

H.R. 3221, the "Housing and Economic Recovery Act of 2008," passed the House on July 23, by a vote of 272-152. On Saturday, July 26, the Senate passed the bill by a vote of 72-13. The President signed the bill on July 30, 2008. It includes:

- GSE Reform – including a strong independent regulator, and permanent conforming loan limits up to the greater of \$417,000 or 115% local area median home price, capped at \$625,500. The effective date for reforms is immediate upon enactment, but the loan limits will not go into effect until the expiration of the Economic Stimulus limits (December 31, 2008).
- FHA Reform – including permanent FHA loan limits at the greater of \$271,050 or 115% of local area median home price, capped at \$625,500; streamlined processing for FHA condos; reforms to the HECM program, and reforms to the FHA manufactured housing program. The effective date for reforms is immediate upon enactment, but the loan limits will not go into effect until the expiration of the Economic Stimulus limits (December 31, 2008).
- Homebuyer Tax Credit - a \$7500 tax credit that would be available for any qualified purchase between April 8, 2008 and June 30, 2009. The credit is repayable over 15 years (making it, in effect, an interest free loan).
- FHA foreclosure rescue – development of a refinance program for homebuyers with problematic subprime loans. Lenders would write down qualified mortgages to 85% of the current appraised value and qualified borrowers would get a new FHA 30-year fixed mortgage at 90% of appraised value. Borrowers would have to share 50% of all future appreciation with FHA. The loan limit for this program is \$550,440 nationwide. Program is effective on October 1, 2008.
- Seller-funded downpayment assistance programs – codifies existing FHA proposal to prohibit the use of downpayment assistance programs funded by those who have a financial interest in the sale; does not prohibit other assistance programs provided by nonprofits funded by other sources, churches, employers, or family members. This prohibition does not go into effect until October 1, 2008.
- VA loan limits – temporarily increases the VA home loan guarantee loan limits to the same level as the Economic Stimulus limits through December 31, 2008.
- Risk-based pricing – puts a moratorium on FHA using risk-based pricing for one year. This provision does will be effective from October 1, 2008 through September 30, 2009.
- GSE Stabilization – includes language proposed by the Treasury Department to authorize Treasury to make loans to and buy stock from the GSEs to make sure that Freddie Mac and Fannie Mae could not fail.
- Mortgage Revenue Bond Authority – authorizes \$10 billion in mortgage revenue bonds for refinancing subprime mortgages.
- National Affordable Housing Trust Fund – Develops a Trust Fund funded by a percentage of profits from the GSEs. In its first years, the Trust Fund would cover costs of any defaulted loans in FHA foreclosure program. In out years, the Trust Fund would be used for the development of affordable housing.
- CDBG Funding – Provides \$4 billion in neighborhood revitalization funds for communities to purchase foreclosed homes.

- LIHTC – Modernizes the Low Income Housing Tax Credit program to make it more efficient.
- Loan Originator Requirements – Strengthens the existing state-run nationwide mortgage originator licensing and registration system (and requires a parallel HUD system for states that fail to participate). Federal bank regulators will establish a parallel registration system for FDIC-insured banks. The purpose is to prevent fraud and require minimum licensing and education requirements. The bill exempts those who only perform real estate brokerage activities and are licensed or registered by a state, unless they are compensated by a lender, mortgage broker, or other loan originator.