



CALIFORNIA ASSOCIATION OF REALTORS®

April 15, 2020

The Honorable Maxine Waters  
U.S. House of Representatives  
2221 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Waters:

2020 OFFICERS

JEANNE RADSICK  
President

DAVE WALSH  
President-Elect

JENNIFER BRANCHINI  
Treasurer

JOEL SINGER  
Chief Executive Officer/  
State Secretary

On behalf of the California Association of REALTORS® (C.A.R.) we are asking Congress to consider the following proposals as the state and nation begin to look at how the economy will come out of the COVID-19 crisis. While it is too early to know the full economic impact this crisis will have, skyrocketing unemployment, rising mortgage delinquencies, and private capital fleeing the mortgage market necessitate early action by Congress. By taking aggressive action now Congress can minimize the impact of this crisis on California's housing market and protect communities and homeownership opportunities.

**Protect Homeownership by Eliminating Bulk Sales and Mandate First-Look Programs**

Congress should mandate any distressed single-family residence with a mortgage insured or guaranteed by the government go through a specific process to try to provide the homeowner can keep their home. Failing that, the property should be marketed to homebuyers looking for a primary residence. To do this, the first step is for the lender to offer the homeowner foreclosure avoidance procedures, such as forbearance and loan modifications. If this is unsuccessful, then the owner should be offered short sale and deed-in-lieu options.

If foreclosure becomes necessary, typically the property will end up as an REO. If that occurs, then to help ensure such properties are available to potential owner occupants there should be a mandated "First-Look" program. This program requires that for the first 14-days an REO is on the market the only offers that may be accepted are from buyers who intend to use the home as their primary residence. Bulk sales should be prohibited for REOs and distressed notes. When distressed properties are moved through bulk sales—including distressed note sales—it is possible for the property to never be marketed for homeownership and removed from this inventory.

A tough lesson learned from the housing crisis was the hundreds of thousands of homes removed from homeownership inventory by institutional investors, many of which were purchased before homebuyers could ever make an offer because they never reached the market. Government mortgage programs have a role and mission to support homeownership, primarily by ensuring the availability of mortgage capital, but that role and mission must apply to their distressed assets. Every distressed property that is incapable of avoiding foreclosure should be offered through the First-Look program.



REALTOR® is a federally registered collective membership mark which identifies a real estate professional who is a Member of the NATIONAL ASSOCIATION OF REALTORS® and subscribes to its strict Code of Ethics.



**Provide the Tools for Homeownership with Zero-Down Mortgage and Suspend Loan Limits**

Many potential homebuyers have lost savings with the collapse of the stock market limiting their ability to qualify under current mortgage products. The housing bubble of a decade ago proved that proper underwriting was the key to safe and sound mortgages. During that crisis the VA home loan program outperformed even the conforming mortgage market. A fully underwritten loan with appropriately priced guarantee fees can provide new homeownership opportunities and protect taxpayers.

The second step to ensuring mortgage availability in California is to suspend loan limits on conforming and FHA mortgages. Similar to the last credit crisis, the jumbo-market has seen substantial withdrawal of private capital. Only a month ago jumbo mortgage rates were on par with conforming mortgages (though they had tougher underwriting guidelines), today's jumbo loan rates are a 100 basis points higher. During the credit crisis of a decade ago jumbo rates were over 300 basis points higher than conforming. Congress can stave off a liquidity crisis in the jumbo market by allowing Fannie, Freddie and the FHA to service high-cost areas to speed up a market recovery.

**Look for Opportunities to Increase Housing Inventory**

As commercial real estate struggles there is an opportunity to provide relief for commercial landlords and address California's housing supply issue by creating incentives to convert commercial space to residential and/or mixed-use. The federal government should create a grant program and tax incentives to promote the conversion. Almost all of the nation's commercial space will be impacted by the economic decline and possible recession. Converting a portion of that space to residential use can help alleviate the supply crisis and provide commercial landlords with a new opportunity for income.

Governor Newsom has begun talking about how he will bring the state out of the COVID-19 shutdown. These proposals represent lessons learned from the last housing crisis and recession. By passing the above proposals Congress will place California's households in a position to quickly recover while boosting the state's housing market.

Congress has moved quickly and decisively with COVID-19 relief packages. C.A.R. hopes it will continue those efforts and thanks you for your consideration of our proposals. We look forward to working with you on these issues as Congress debates future bills to provide relief from the COVID-19 crisis. Please contact Matt Roberts, C.A.R. Federal Government Affairs Manager, at 310-963-3054 or [matthewr@car.org](mailto:matthewr@car.org).

Sincerely,



Jeanne Radsick  
2020 President, California Association of REALTORS®

Cc: Nancy Pelosi, House Speaker  
Kevin McCarthy, House Minority Leader  
National Association of REALTORS®