



*An Article Of Interest...*

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## **NAR: Interest Rate Drop Good Sign, But Government Must Continue to Help Families**

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WASHINGTON, December 12, 2008

The National Association of Realtors® is urging the federal government to proceed rapidly to drive down mortgage interest rates and move ahead with housing stimulus action to drive up consumer confidence.

“We are very encouraged that mortgage interest rates are moving in the right direction. However, we will continue to press ahead because rates are not coming down fast enough to impact the housing market,” said NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas. “Many homeowners are struggling to get out of underwater mortgages and many potential buyers are sitting on the fence waiting for still better rates before they act.”

“We implore the Treasury, the Federal Reserve, the incoming Obama administration and Congress to get together and use all available resources, including the Troubled Assets Recovery Program, to quickly put a rate buy-down in place. This will really assist American families facing difficult economic times in the coming holiday season,” said McMillan.

“Housing has always led our economy out of downturns, and lower interest rates coupled with foreclosure mitigation are key ingredients to stabilize the housing markets and preserve homes and communities,” McMillan said.

NAR data show that a 1 percentage point decrease in mortgages interest rates—whether the decrease is brought about by a buy-down or through government purchase of mortgage-backed securities—increases home sales by a half-million. “Without better rates for home buyers, inventory will continue to remain high and home prices can overshoot downward causing consumer spending to fall further and leading to a broader contraction in credit availability. Without home price stabilization, foreclosures will continue to rise sharply and many of the remodified loans will re-default,” said Lawrence Yun, NAR chief economist.

A 4-Point Housing Stimulus Plan put forward by NAR earlier this year urged the government to buy up mortgage-backed securities from banks; the Federal Reserve has announced it is moving ahead with plans to do that. NAR also proposed an interest rate reduction, and the Treasury Department is considering such an action.

Additionally, NAR has asked Congress to make the higher loan limits passed in the economic stimulus bill earlier this year be made permanent. NAR has also been pushing for the \$7,500 tax credit for first time homebuyers be extended to all homebuyers and that the repay feature be eliminated.

