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March 26, 2015

United States Senate
Washington, DC 20510

Dear Senator:

The more than one million members of the National Association of REALTORS® (NAR) ask for your support of an amendment offered by Senator Brown, which removes Section 412 providing for fair value estimates from S. Con Res 11, the Budget Resolution. Shifting accounting methods for federal loan and guarantee programs to fair value accounting from the Federal Credit Reform Act of 1990 (FCRA) would add phantom costs onto these programs, and have a significant negative impact on the Appropriations process.

Fair value is calculated using an interest rate that includes estimated costs that the private sector would charge to perform a similar function. In reality, federal programs borrow at Treasury rates. Federal loan and loan guarantee programs are fundamentally different than their private sector counterparts. In many cases, these programs were actually created to fill market gaps in which the private sector did not operate. Using a contrived discount rate would distort the actual costs of these programs to the federal taxpayer and add significantly to the federal deficit – even though these costs are not actually incurred.

Fair value may seem like a reasonable measure of the cost of a federal program, but it does not reflect reality. The impact on the Appropriations process if fair value estimates are used for budget enforcement would be severe. For example, using fair value for FHA would hurt many programs under the T-HUD appropriations bill. The Congressional Budget Office (CBO) estimates that, instead of raising $4.4 billion in revenue which is currently used to fund many other parts of the T-HUD budget, FHA would require an appropriation of $3.5 billion, and provide no offsets for the rest of the T-HUD Budget.

If fair value accounting is adopted, housing loan programs such as FHA, the VA home loan guarantee and rural housing loans would now become significantly more expensive to borrowers, or they would need increased appropriations - millions of dollars - to cover costs that only appear on paper.

NAR strongly supports this amendment and asks for your support for its passage.

Sincerely,

Chris Polychron
2015 President, National Association of REALTORS®

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