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# Housing Finance Market Reform Must Ensure Mortgage Affordability, Availability

WASHINGTON, DC--(Marketwire - May 10, 2011) - Reforms to America's housing finance market must ensure a reliable source of affordable mortgage lending for creditworthy consumers. That's according to Realtors® and other industry insiders who examined the federal government's future role in the secondar mortgage market at the "Fannie Mae & Freddie Mac: Obama Options and Beyond" session during the National Association of Realtors® 2011 Midyear Legislative Meetings & Trade Expo, here through May 14.

Panelist Steve Brown, 2011 NAR first vice-president nominee, opened the session by outlining NAR's position for reforming the government-sponsored enterprises (GSEs), saying that reform is required, taxpayers must be protected from losses, and the federal government must continue to play a role in the secondary mortgage market to ensure a steady flow of mortgage liquidity in all markets under all economic conditions.

"As the leading advocate for home owners, NAR is concerned that eliminating the GSEs without a viable replacement is not a reasonable option and will severely restrict mortgage capital and result in higher fee and costs for qualified borrowers," said Brown. "Reform of the secondary mortgage market needs to be comprehensive and undertaken methodically."

James Parrot, senior advisor for housing at the National Economic Council in Washington, D.C., overviewe the Obama administration's recommendations for reforming the GSEs in the wake of the financial crisis, which included varying levels of government backing. He noted the primary objective of the proposals wa twofold -- first, to lay out an immediate near-term path for reform, with steps that could be taken the ne few years to reduce taxpayer risk and move the housing market to more stable footing, and second, to frame the discussion regarding the government's long-term role in housing finance.

"The government's large presence in the housing finance is unhealthy and needs to be scaled back; however, the steps we take over next few years to reduce the government's role and increase private capital will have a tremendous impact on the housing market and economy as well as the availability and affordability of mortgages," said Parrot. "The objective isn't to turn away from housing, but to make the housing finance market stronger so that families and their most important asset are better protected," sa Parrot.

Panelist Susan Wachter, a professor at The Wharton School, University of Pennsylvania, agreed that private capital needs to return to the housing finance market, but that most likely won't happen until the market has stabilized.

"There needs to be more accountability and transparency in the secondary mortgage market so that private investors can best assess their risk and safely get back into the market," she said.

Mark Calabria, director of Financial Regulation Studies at the Cato Institute, argued for a very limited government role in the secondary mortgage market, saying that the private capital market has the funds and capacity to absorb Fannie Mae and Freddie Mac's market share. He said that increased government support in the past few decades have only slightly increased America's home ownership rate and that rat in other countries are higher despite their government's limited involvement. Despite his opposing viewpoint to the level of involvement, Calabria did acknowledge that some government backstop was essential in the future, since the housing and finance markets are sensitive to booms and busts.

David Katkov, executive vice president and chief business officer at The PMI Group, countered that it would be naïve to move to a purely private market because it's been successful in other countries, addin that the U.S.'s housing finance system dwarfs that of other countries and is far more complex.

Ann Grochala, vice president at the Independent Community Bankers of America, also shared concerns fo small lenders and community bankers in a purely private market, where competition from large lenders would be great.

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