

Fact Sheet

Wall Street Reform and Consumer Protection Act

Sections 1073 and 1074 of the Senate Version contain sections that will impose severe restrictions on "seller carry-back" financing of real property (commercial, residential and agricultural), i.e. such a seller will only be allowed to finance one property every 36 months. Seller financing is a successful financial tool for small businesses and minorities alike.

The unintended negative consequences of these 2 sections are enormous:

- 1) **Limits credit** in urban and rural areas where institutional financing is scarce.
- 2) Many times, **seller financing** is the only alternative available on properties in need of rehabilitation and renovation. Banks and *institutional lenders are wary* of lending on such properties. With less properties being renovated, less jobs in the construction trades will be needed, leading to even more unemployment and blight.
- 3) Many **seniors** contemplating retirement were counting on selling their rental properties and holding the mortgage (**owner financing**) and living on the monthly payments received. As banks are paying 1-1.5%, the opportunity to earn 5-6% on Seller carry-back financing can be the difference between living their golden years independently or living in poverty.
- 4) **Real estate will soften** even more as there will be less capital and / or credit available to keep the market moving. Property under \$60,000 is not likely even to be considered by financial institutions for loans.
- 5) **Houses will become less affordable.** Banks charge points, application fees; escrows, etc that often exceed \$7-\$10,000 or more in closing costs. **Seller carry-back** financing rarely involves points, application fees, etc.

Currently there is a bill in the House Ways and Means Committee; **HR 3440** "The Installment Sale Bill" that would have **the opposite effect** of the two sections described above than HR 4173. This bill would allow "dealers" to take installment sale tax treatment. It would have the effect of *opening credit at no cost and expense to the US taxpayer*, create jobs and increase revenues to the government. Rep. Bill Pascrell and Rep. Peter Roskam are the primary sponsors. Other sponsors include Rep. Adler and Rep. Andrews from NJ and Rep. Eric Cantor from VA.

We would urge the members of the Conference to seek to have the provisions discussed above eliminated from the final draft. Allowing them to remain will cause financial problems our nation can ill afford and is contrary to public statements of opening the financial markets to the public and the importance of helping small businesses.

Modifications supported by:

National Association to Protect Private Property Rights	NJ Assoc. Real Estate Professionals
Texas Land Developers Assoc.	Seller Financed Note Industry
	Real Estate Investor Organizations