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June 9, 2011

The Honorable Ben Cardin
United States Senate
502 Hart Senate Office Building
Washington, DC 20510

Dear Senator Cardin:

On behalf of the 1.1 million members of the NATIONAL ASSOCIATION OF REALTORS®, I thank you for the Cardin/Isakson amendment #407 to S. 782, the “Economic Development Revitalization Act of 2011.” This amendment will protect FHA borrowers from unfair interest charges.

The FHA single-family mortgage program plays an important and vital role in the mortgage marketplace. Under current policy, FHA borrowers who prepay their mortgage, as the result of the sale of a home, a mortgage refinance or some other means, are only able to do so on the last day of the month in which the prepayment is made. Prepayments made at any other time require the borrower to continue to pay interest on the FHA loan for each of the remaining days in the month. The conventional marketplace does not have any such restrictions or penalties. In fact, none of the other mortgages securitized by Ginnie Mae (i.e.: VA, Rural Housing) have this requirement. This is only a penalty on FHA borrowers that provides no benefit to the federal government.

Given the variety of factors that contribute to the closing date on a loan, with many of these beyond the control of the borrower, such a requirement is an unreasonable and often unexpected burden. In 2003, for example, FHA’s data indicates that FHA borrowers paid a total of \$587,425,543 in excess interest fees as a result of this onerous requirement in that year alone.

Amendment #407 would eliminate these pre-payment interest penalties, saving consumers hundreds of dollars when they pay off their FHA loan. The National Association of REALTORS® strongly supports this legislation and we look forward to working with you to secure its passage.

Sincerely,

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR
2011 President, National Association of REALTORS®



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