



NATIONAL
ASSOCIATION of
REALTORS®

Ron Phipps
ABR, CRS, GRI, GREEN, e-PRO
2011 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS

Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-3837580
www.REALTOR.org

January 4, 2011

The Honorable David H. Stevens
Assistant Secretary for Housing - Federal Housing Commissioner
US Department of Housing and Urban Development
Washington, DC 20410

Dear Commissioner Stevens:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to commend FHA for the performance of loans in the Mortgage Mutual Insurance Fund (MMIF) and to request that FHA relax standards for condominiums and reconsider its proposed changes to seller concessions. Based on our analysis of recent Neighborhood Watch data, the overall performance of the MMIF is improving. The condominium portfolio is also performing very well.

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

Recent program enhancements, including hiring FHA's first Credit Risk Officer, have resulted in great improvements to loan performance in the MMIF. FHA's purchase activity appears to be performing as well as any period since Neighborhood Watch was established. For the quarter ending on December 31, 2009, the Seriously Delinquent and Claims Rate was 5.05 percent, which is the lowest rate for any quarter over the last two years. For November 2010, the MMIF had a claim rate of 2.91 percent.

Condominium loans are performing even more strongly than other purchase loans. According to the most recent data, condominium purchases had a delinquent/claims rate of 1.18 percent, which is more than 50 percent lower than the overall claims rate. To that end, we urge you to loosen restrictions on purchase condominiums, which for many families remain the most affordable homeownership option.

In November, we recommended enhancements to the condominium program and reiterate the need to ensure adequate liquidity in the condominium mortgage market. The temporary guidance in Mortgagee Letter 2009-46 A, Temporary Guidance for Condominium Policy, is effective through December 31, 2010. The requirements in this Mortgagee Letter should be enhanced and made permanent or at least extended through December 31, 2011.



REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

NAR believes that reducing permitted seller concessions will be detrimental for the recovery of the real estate market. FHA currently permits seller concessions up to 6 percent of the purchase price of the home. FHA proposes to reduce permitted seller concessions to 3 percent. We believe there is a distinction between seller concessions for existing homes and seller concessions offered with new construction homes. In existing home transactions the seller is more often offering concessions to ensure the sale occurs. In newly constructed homes, the concessions are often offered to offset higher home prices.

Thank you for your efforts to mitigate risk to the MMIF and for the vital role FHA is playing in the recovery of the real estate market. We believe that enhancements to the condominium rules and relaxing proposed changes to permitted seller concessions will further stabilize the real estate market without causing additional risk to the MMIF. If you have any questions or concerns, or if we may be of service to you, please do not hesitate to contact NAR's Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or jnagy@realtors.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Phipps". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

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