



NATIONAL ASSOCIATION  
OF REALTORS®

*The Voice for Real Estate®*

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**Richard F. Gaylord, CIPS, CRB, CRS, GRI**  
*President*

October 28, 2008

The Honorable Steven C. Preston  
Secretary of Housing and Urban Development  
Washington, DC 20410

Dear Mr. Secretary:

I am writing on behalf of the 1.2 million members of the National Association of REALTORS® (NAR) to request reform of the owner-occupancy rules for condominiums. 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®.

Current rules for loans purchased by the government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac or insured by the Federal Housing Administration (FHA) require that condominium developments have an owner-occupancy ratio of at least 51 percent at the time the loan is originated. Many condominium units are now bank-owned REO properties which are counted as non-owner-occupied units under the current rules. The result is that many developments do not meet the 51 percent threshold for owner-occupancy, and GSE and FHA loans are not an option for buyers interested in these developments. Since buyers have few other mortgage options, this can put a condominium development in peril.

NAR recommends that the GSEs reduce the 51 percent occupancy ratio for GSE and FHA mortgages slightly to a number below 50 percent for all condominium developments. This will allow more buyers to purchase units in condominium developments that have vacant units as a result of bank foreclosures. However, the number should not be reduced so much that it creates a development that is primarily investor-owned and harms the value or appreciation of owner-occupied units.

The number of foreclosures across the country continues to increase. As part of the solution, NAR also recommends a temporary suspension of GSE and FHA occupancy rules so bank-owned REO properties are no longer counted for the purpose of calculating occupancy ratios. Reducing the owner-occupancy ratio and not including bank-owned REO properties in the calculation will help condominium developments with significant percentages of REO properties. It will attract buyers seeking GSE or FHA mortgages to condominium developments with available units for purchase. The suspension should be in effect at least until the end of the Hope for Homeowners Program.

Amending the owner-occupancy rules for condominium developments for buyers with GSE or FHA mortgages will benefit all parties in the real estate transaction. Lenders will have the opportunity to move REO properties off their books because the units could be eligible for buyers with GSE or FHA mortgages. Further, individuals and families purchasing units in these developments with GSE or FHA loans will have access to more flexible and affordable financing opportunities. Potential buyers with GSE or FHA mortgages will have a wider choice of condominium developments. Finally, existing owners in these developments benefit as vacant units are purchased and occupied and the owner-occupied ratio increases.

Thank you for the opportunity to present the views of the National Association of REALTORS®. Reforming the owner-occupancy guidelines for GSEs and FHA will ensure more Americans can maintain their dream of homeownership in safe, affordable mortgages. A similar letter is being sent to FHFA Director James B. Lockhart III. If you have any questions or comments regarding this letter please contact our Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or [jnagy@REALTORS.org](mailto:jnagy@REALTORS.org).

Sincerely,

A handwritten signature in black ink that reads "Richard F. Gaylord". The signature is written in a cursive, flowing style.

Richard F. Gaylord, CIPS, CRB, CRS, GRI  
2008 President, National Association of REALTORS®

cc: The Honorable James B. Lockhart III  
Director  
Federal Housing Finance Agency  
1700 G Street, NW  
Washington, D.C. 20552