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February 27, 2013

The Honorable Carol Galante  
Assistant Secretary for Housing - Federal Housing Commissioner  
US Department of Housing and Urban Development  
Washington, DC 20410

**Title: Federal Housing Administration (FHA) Risk Management Initiatives: Changes to Maximum Loan-to-Value Financing**

**Docket No: FR-5572-N-01**

Dear Commissioner Galante:

I am writing on behalf of the one million members of the National Association of REALTORS® (NAR) to provide comments on Federal Register Notice FR-5572-N-01 Federal Housing Administration (FHA) Risk Management Initiatives: Changes to Maximum Loan-to-Value Financing.

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®.

The proposed notice states that FHA's Mutual Mortgage Insurance Fund (MMIF) is subject to greater risk when it insures loan amounts in excess of \$625,500. As a result, FHA is proposing an increase in the downpayment requirement from 3.5% to 5% for loans in excess of \$625,500. NAR questions the need for this change since FHA's FY 2012 Actuarial Review notes that, "larger loans incur claims at a lower rate and in those cases where a claim occurs, loss severity tends to be lower." NAR is concerned that this change will limit options for homebuyers who are not being served by the private market in high cost areas of the country. NAR understands the importance of reforms to improve the health of the fund, but increasing downpayments for loans over \$625,500 will do little to change the health of the fund, while disenfranchising quality borrowers.

Thank you for your time and consideration. If I may be of any assistance to you, please do not hesitate to contact me or our Associate Regulatory Policy Representative, Sarah Young, at (202) 383-1233 or [scyoun@realtors.org](mailto:scyoun@realtors.org).

Sincerely,

Gary Thomas  
2013 President, National Association of REALTORS®



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