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October 16, 2014

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

Dear Commissioner Galante:

I am writing on behalf of the one million members of the National Association of REALTORS® (NAR) in response to member concerns about FHA's Single Family Loan Sales Program (SFLS). Many REALTORS® have become increasingly concerned that the SFLS program is auctioning large pools of mortgages to the highest bidder, in some cases without considering the investor's ability to achieve neighborhood stabilization goals such as homeownership preservation and affordable housing. To address these concerns, NAR urges FHA to improve its pre-foreclosure sales process to ensure that mortgage servicers have fully complied with the agency's loss-mitigation requirements before referring loans to the SFLS. NAR also recommends that FHA place additional controls on the SFLS program to prioritize keeping owner-occupants in these homes.

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®.

FHA Servicing and Pre-Foreclosure Efforts

NAR appreciates the opportunity to submit feedback to FHA during the drafting of its Single-Family Housing Policy Handbook. NAR has submitted comments through FHA's "Drafting Table" website, most recently on FHA's Servicing section. NAR's comments focus on the Pre-Foreclosure Sales Program (PFS). Our members feel strongly that the following improvements to the PFS process could help more homeowners avoid foreclosure and reduce the need to refer some FHA loans to the SFLS program:

- Since imminent default, based upon specific criteria, is now an acceptable option for PFS consideration, mortgagees should be required to review a borrower's request for the PFS loss mitigation option during imminent default. Currently, some mortgagees are requiring borrowers to be in default prior to accepting applications for review. Delaying the review process increases a homeowner's risk of foreclosure.
- Mortgagees should be limited to a set number of days to review a borrower's loss mitigation request. Currently, there is a wide disparity among mortgagees in review time of borrower requests for loss mitigation. Some mortgagees respond within weeks, while others take months. Some mortgagees require an accepted purchase contract, while others do not. NAR recommends a maximum 30-day review period. This would provide clarity and uniformity and would be consistent with other short sale program guidelines.



FHA Single Family Loan Sales Program

NAR understands that during the most recent economic crisis, FHA's Mutual Mortgage Insurance Fund suffered significant losses. The FHA has been under pressure to improve the health of the fund and reach a two percent capital reserve ratio. The Single Family Loan Sales program (SFLS) is one tool that FHA uses to sell delinquent loans and save money. While NAR appreciates FHA's efforts to improve the health of the fund, NAR members believe that the following recommendations could be implemented to improve the outcome of the SFLS program:

- Note sales should be in small, manageable numbers in limited geographical areas, and utilize the expertise of local businesses, including contractors, real estate brokerage firms and property managers, and non-profits.
- Loans entering the SFLS program should be closely monitored to ensure that servicers have exhausted all loss mitigation options.
- FHA should collect and share more detailed performance data about the programs. For example, about one third of the loans sold through DASP were then sold to other investors. FHA requirements do not stay with the loans that are resold. How many of these sold loans were offered foreclosure alternatives?
- More home purchase opportunities should be offered by instituting a "first look" program for owner occupants once the homes have fallen into foreclosure. Currently many of these homes are being turned into single family rental properties that do not contribute to the stabilization of the neighborhoods around them.

NAR is encouraged to hear that FHA plans to extend the timeframe for the auction process, to collect more data on loan purchasers, explore smaller pools, and have a larger percentage of the sales available to Neighborhood Stabilization Outcome pools. NAR looks forward to hearing more about FHA's proposals to improve the program. The Association is committed to working with FHA to find ways to protect the health of the fund, while continuing to promote homeownership and preserve affordable housing options.

Thank you for your time and consideration of this timely issue. We look forward to working with you. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sarah Young, at (202) 383-1233 or scyoun@realtors.org.

Sincerely,

A handwritten signature in blue ink that reads "Steve Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Steve Brown
2014 President, National Association of REALTORS®