

William E. Brown
2017 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION

Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President & Deputy Chief
for Regulatory Affairs
Scott Reiter, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194; Fax 202-383-7580
WWW.NAR.REALTOR

January 30, 2017

Dr. Benjamin Carson
Secretary Designee
US Department of Housing and Urban Development
Washington, DC 20410

Dear Dr. Carson:

The National Association of REALTORS® (NAR) understands President Trump and the new Administration have suspended and are currently reviewing recent regulatory actions taken by the Obama Administration, including the Federal Housing Administration's (FHA) 25 basis point reduction of the FHA Annual Mortgage Insurance Premium rates for mortgages with a closing/disbursement date on or after January 27, 2017. NAR appreciates this opportunity to express our support for reinstating the premium reduction.

The National Association of REALTORS® is America's largest trade association, representing over 1.1 million members, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. NAR's membership is composed of residential and commercial REALTORS® who are brokers, salespeople, property managers, appraisers, counselors, and others engaged in the real estate industry. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®.

FHA occupies a critical role in the nation's housing finance system, with a mission to ensure access to mortgage credit is available to all Americans, in particular groups traditionally underserved by the private market, including low to moderate-income, minority, and first-time homebuyers. NAR estimates that the premium reduction would have reduced costs for 750,000 to 850,000 homebuyers in 2017 with mortgages backed by the FHA. In addition, it would have made homeownership possible for an additional 30,000 to 40,000 homebuyers. The suspension of the premium reduction has created uncertainty and confusion for a significant number of borrowers, sellers, lenders and underwriters who entered into a new or refinance mortgage transaction in reliance on the reduced rates. These borrowers must face an increase in the cost of their loans and some may no longer qualify to purchase the home they intended to buy due to the increase in the premium rates.

Suspending the premium reduction has consequences for the business of FHA. The last FHA premium cut helped to shore up the FHA's books and restore the Mutual Mortgage Insurance Fund's (MMIF) capital ratio above the statutory 2.0 percent level. Lower fees helped FHA to retain better borrowers from refinancing to private mortgage insurers who had re-entered the market, but more importantly, it helped to improve affordability allowing many previously sidelined borrowers to qualify for a home purchase. The 2016 FHA Actuarial reports showed that the MMIF exceeded the 2.0 percent statutory requirement for a second year in a row and the forward FHA portfolio ratio was a healthy 3.28 percent and serious delinquency rates for the active portfolio are at a ten-year low. NAR research shows that FHA's sustained profitability can be scaled



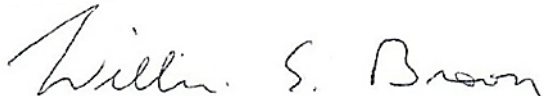
back to keep in line with FHA's target ratio¹. While reinstating the reduced premium would reduce the economic value or the current value of FHA's total future earning adjusted for inflation on each year's book, FHA's resources would continue to grow. Furthermore, developing a steady rate of growth to reach optimal fund size would be in line with other government insurance programs like the FDIC².

In addition, the strength of FHA's book of business is hindered by FHA's current policy to maintain lifetime annual mortgage insurance premiums for loans with over 90 percent loan to value ratio (LTV) at origination. Once a borrower reaches 78 percent LTV, there is sufficient equity in that home that even if the homeowner eventually defaults, the value of the home in combination with the premiums paid in advance will cover any losses to the MMIF. Congress understood this principle and enacted the Homeowners' Protection Act in 1999, which requires lenders to automatically cancel private mortgage insurance for borrowers who achieve sufficient equity. Why should FHA borrowers be denied the same relief from excess insurance? The life of loan premium essentially penalizes any homebuyer without the means to put down a larger down payment. Eliminating the life of loan requirement will reduce the borrower's monthly payments, providing with them more cash on hand so they may better withstand economic shocks and thereby reduce defaults. In the interest of strengthening FHA's financial footing, we urge FHA to reinstate cancellation of annual mortgage insurance premiums for all borrowers that reach 78 percent LTV, assuming the borrower has paid the annual mortgage insurance premiums for at least five years.

NAR urges FHA to reinstate the 25 basis point premium reduction and remove the life of loan premium as soon as possible. Homeownership is a key element of the American Dream and FHA makes that dream possible for millions of Americans. We look forward to working with this Administration to ensure FHA's continued health and necessary participation in the housing market.

Thank you again for your time and consideration of these comments. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org

Sincerely,



William E. Brown
2017 President, National Association of REALTORS®

¹ https://portal.hud.gov/hudportal/documents/huddoc?id=SFH_POLI_QA_SUP_Metric.pdf

² <https://www.fdic.gov/deposit/insurance/assuringconfidence.pdf>