

John Smaby
2019 President

Bob Goldberg
Chief Executive Officer

ADVOCACY GROUP
William E. Malkasian
Chief Advocacy Officer/Senior Vice President

Shannon McGahn
Senior Vice President Government Affairs

500 New Jersey Avenue, NW
Washington, DC 20001-2020
Phone 202-383-1194
WWW.NAR.REALTOR

July 3, 2019

The Honorable Brian Montgomery
Assistant Secretary for Housing – Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Commissioner Montgomery

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I write in response to the Federal Housing Administration (FHA) advance notice of proposed rulemaking and request for public comment on the FHA Single-Family Loan Sale Program (the Program). NAR remains concerned that the Program as previously operated has led to a decrease in homeownership and an increase in single-family rental housing in many communities across the country. While NAR appreciates previous FHA efforts to improve the Program in its pilot phases, FHA must work to ensure that loan sales prioritize loan purchases that lead to owner-occupied homes over absentee landlord rental houses while developing a permanent version for the Program.

NAR is America's largest trade association, representing 1.3 million members, including NAR's institutes, societies, and councils involved in all aspects of the residential and commercial real estate industries. Membership is composed of residential and commercial brokers, salespeople, property managers, appraisers, and counselors, among others. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®.

REALTORS® recognize that homeownership gives families safe, secure shelter while creating wealth and improving their physical and financial well-being. Homeownership also generates strong, vibrant communities of people who care about both their homes and their surrounding neighborhoods. When owner-occupied homes become rental properties, concerned homeowners are replaced with absentee landlords that often rent the houses without providing proper maintenance or necessary rehabilitation, risking the security of their tenants. In some cases, non-occupant purchasers fail to pay property taxes and allow properties to decay, harming the overall character of the neighborhood and community. With these concerns in mind, NAR urges FHA to incorporate the following in a permanent version of the Program:

- Ensure mortgage servicers have exhausted all loss-mitigation strategies before placing loans in the Program.
- Arrange loan sales in small, manageable numbers in limited geographical areas, utilizing the expertise of local businesses, including contractors, real estate brokerage firms and property managers, and non-profits.
- Set aside pools of loan sales for non-profits and other community partners while prioritizing sales of open loan pools to entities with demonstrated interest in a given community.



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- Review investor-purchaser plans for conflicts of interest that could lead to harmful outcomes, such as an investor's financial interest or other business connection to a large-scale rental housing entity or home auction platform.
- Compel investors to prioritize sales to owner-occupants following foreclosure in order to promote neighborhood stabilization and support prosperity in the respective community.
- Require that the secondary sale of any loan by an initial investor-purchaser to another investor must prioritize home sales to owner-occupiers.
- Ensure the release of performance and outcome data for each pool of loan sales, as well as the demographic data on the sales.

Too many once owner-occupied homes have become rental properties in the years following the Great Recession. Researchers are starting to take note of the detrimental effect the increase in rental housing is having on the financial and physical security of families in low and moderate-income communities, along with its impact on first-time homebuyers, older purchasers looking to downsize, and minority communities. FHA, in development of a permanent Program, must maintain its long-standing responsibility to promote homeownership and thus protect America's communities. NAR urges FHA to adopt the abovementioned requirements for the Program, and REALTORS® remain committed to working with FHA in affected communities to promote homeownership and preserve safe, affordable housing.

Thank you for consideration of these comments. If you have any questions, please do not hesitate to contact me or NAR Policy Representative Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org.

Sincerely,



John Smaby
2019 President, National Association of REALTORS®