Charlie Oppler
2021 President

Bob Goldberg
Chief Executive Officer

ADVOCACY GROUP

Shannon McGahn
Chief Advocacy Officer

February 23, 2021

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Calabria:

On behalf of the 1.4 million members of the National Association of REALTORS® (NAR), thank you for the recent opportunity to meet with you about NAR's housing and real estate priorities for 2021. We look forward to working together to put housing front and center as the country begins to recover from the pandemic-induced economic downturn.

I would like to emphasize and elaborate on a few issues mentioned in our meeting that are of particular interest to REALTORS® that will be a primary focus throughout the coming year.

Fannie Mae's Modified Condo Lending Guidelines

On December 7, 2021, Fannie Mae modified its single-family selling guide to clarify its restriction on lending for short-term rentals and condotels. These changes could have significant, negative economic ramifications for second home and resort real estate markets, which are already struggling to survive in the midst of the ongoing pandemic.

NAR has several concerns about these modifications to Fannie Mae's condo-lending protocols, including:

- The modified rules contain ambiguous and undefined language that could complicate Fannie Mae's designation process, such as the use of "resort" in a property's name, what constitutes "seasonal rental," and how long an owner needs to reside in the property.
- These modifications could limit and restrict financing options in markets with large numbers of second homes or projects with relatively high shares of second homes for both second home owners and primary home owners.
- Fannie Mae leaves the determination up to lenders who may not have the skill or desire to fully review all relevant information relating to the designation of a specific property.
- Condo boards and homeowners associations (HOAs) do not have a way to appeal or contest Fannie Mae's designation of their property, examine their lender review, or provide additional input that could change Fannie Mae's decision or assessment of their project.

NAR has engaged with staff at Fannie Mae to alert them of the inadvertent negative effects, but understand that there are no plans to clarify the new language or to improve the review process. NAR staff has been made aware of issues occurring in Florida, Alabama, Virginia, and New Hampshire and expect instances to increase as we approach the spring buying market. We encourage you to work with Fannie Mae to change language for short-term rentals that negatively impacts second home owners, to clearly define the maximum period acceptable when renting a second home, and create a process where projects or HOAs can contest a lender-certified denial of a project/HOA.

Transitioning from Forbearance to Recovery

The FHFA took the lead in providing homeowners with forbearance options as unemployment rose in the early days of the pandemic. Since then, the FHFA made further accommodations for homeowners, provided servicers with scripts to improve consistent treatment for homeowners, worked with the CFPB to enforce servicers' adherence to the rules, and most recently, further extended the forbearance program.

As the nation emerges from the grip of COVID-19 with vaccination efforts underway, the housing market will face the challenge of easing away from forbearance while the economy recovers. Ideally, most homeowners will resume employment and become current on their mortgages. However, for some workouts, deferrals or other alternatives should be emphasized that allow for the transition from ownership with minimal negative impacts, such as deed in lieu of contract arrangements or short sales. Distressed owners would benefit from clear and consistent messaging about their options and their best potential outcomes under these alternatives. The FHFA should begin work now to develop a template and script for servicers where they identify a menu of options, including incentives, for distressed owners. These incentives, along with clarity on options for owners at various stages of distress, will help them make the best financial choices in the limited time they have in order to prevent foreclosure.

Housing Finance Reform and availability of the 30-year fixed rate mortgage

REALTORS® believe that the future housing finance system must provide mortgage capital in all markets, at all times, and under all economic conditions while maintaining an explicit government guarantee in the secondary market, which includes the availability of long term, fixed-rate mortgage products (i.e. 30-yr fixed-rate mortgage).

NAR thanks the FHFA for its efforts to shore up the GSEs' capital requirements and to identify further areas for reform. However, NAR remains concerned that the scale and parameters of the new enterprise capital rule do not fit the GSEs' role as market makers and reinsurers of? their congressionally chartered duties. NAR previously shared its concerns about the enterprise capital rule with the FHFA. We hope that you will revisit these concerns as reform conversations continue.

Working Together

Thank you again for taking the time to hear the concerns of REALTORS®. We appreciate your efforts in supporting the market during this pandemic and look forward to collaborating to resolve the condo financing issue and to support the economy and housing market as it adjusts and recovers. If you have any questions or comments, please feel free to reach out to Ken Fears, NAR's Senior Policy Representative at (202)383-1066 or KFears@Nar.Realtor.

Sincerely,

Charlie Oppler
2021 President, National Association of REALTORS®