December 17, 2021

The Honorable Sandra Thompson
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Thompson:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR), I thank you for your efforts to support the nation’s housing market through this pandemic and to support underserved homebuyers and distressed communities now and in the future. 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 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation’s housing stock, along with its availability to the widest range of potential homebuyers.

Shoring-Up Project Safety Will Take Time

Fannie Mae has recently issued guidance in two areas, that when combined, could have serious, negative, and unintended consequences on the availability of affordable housing options for buyers in many markets.

Fannie Mae announced temporary changes to reserve requirements, building safety inspections, and special assessments for which lenders need extensive documentation to verify compliance. While issued with good intentions, REALTORS® are concerned that the guidance implemented by Fannie Mae (LL-2021-14) could have a more significant impact than intended. This change was in response to the tragedy that occurred in Surfside, Florida where a condo building collapsed killing more than 150 people. REALTORS® were shocked by the events and want to protect consumers. In general, we support the changes implemented by Fannie Mae. However, we do have concerns with the implementation timeline of the guidance and its potential effect on a liquid condo market, especially on the communities FHFA and Fannie Mae most want to serve.

Currently, condo associations may not have the documentation or 10% reserves readily available, putting sellers at a disadvantage and limiting supply in an already slim market. Worse this issue may compound problems for underserved communities to utilize Fannie Mae’s purchase or refinance mortgages and in communities where a preponderance of owners are on fixed incomes. Therefore, we request that the
FHFA slow the implementation of this rule to allow for adequate marketing of the change to condo associations by Fannie Mae and to allow time for associations to comply. Furthermore, REALTORS® believe that the FHFA and the Enterprises can take a proactive role in helping to improve the availability and consistency of association documentation, financials and studies. This task would fit within their duty to serve the market.

**Changes Upon Changes**

These changes come on the heels of Fannie Mae’s problematic new language and “red flags” for condos implemented on December 7, 2020. Lender letter SEL-2020-06 introduced problematic definitions of second homes, condotels, and seasonal rentals. The new definitions misclassify some second homes as condotels and provide a vague definition of seasonal rental. Worse, the new guidelines do not provide a means for homeowners’ associations or projects to challenge the summary pronouncements of originators who may not be qualified to verify a project’s status.

Once again, thank you again for your efforts to support the nation’s housing market through this pandemic and to support distressed communities and underserved home buyers. We would greatly appreciate the opportunity to discuss the issues shared in this letter in more detail with you and your staff. 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,

Leslie Rouda Smith
2022 President, National Association of REALTORS®