

December 5, 2022

The Honorable Julia Gordon  
Assistant Secretary for Housing and Federal Housing Commissioner  
U.S. Department of Housing and Urban Development  
451 7th Street, SW, Washington, DC 20410

Dear Commissioner Gordon:

Thank you for the opportunity to comment on small balance loans (Docket Number FR-6342-N-01) and the vital role they serve in financing homes across the country. The National Association of REALTORS® (NAR) shares the Department of Housing and Urban Development's (HUD) commitment to supporting underserved communities and promoting homeownership. NAR's 1.5 million members in every zip code across the United States are dedicated to serving their communities and helping consumers achieve homeownership. Improving policies to promote small balance loans is a strong step towards achieving that goal.

For many first-time and low to moderate income buyers, inventories are limited to manufactured homes, condominiums, accessory dwelling units, and other types of properties that do not have a principal amount exceeding \$100,000. Tight inventories are only made more difficult by the fact that many providers do not offer financing for small balance loans because the minimal compensation does not offset the high cost of production and economic infeasibility for them.

As interest rates have risen<sup>1</sup> over the past year, homeownership has become further out of reach for many buyers. A distinct feature of Federal Housing Administration (FHA) insured mortgages is that they and their low interest rates are assumable by buyers purchasing properties with existing FHA mortgages. In many cases, buyers are able to cover the higher down payment with only a small portion of the principal balance remaining. Lenders and some market observers have criticized the current fee structure with its cap of \$900, because mortgage originators again are not incentivized to offer financing, leaving potential FHA buyers out of the process and unable to bid on these properties. REALTORS® are concerned that these entry-level properties may not fall into the hands of first-time and low to moderate income buyers. Thus, NAR is exploring solutions to ameliorate this issue, including whether FHA could update policies to offer homebuyers small balance or assumable loans to ensure they have the financing to purchase entry level properties.

Once again, NAR thanks you for your efforts to support the nation's housing market and future buyers. We welcome solutions to address the lack of originators offering small balance loans so that low to moderate income and first-time buyers, specifically in underserved communities, can achieve homeownership and the American dream. If you have any questions or comments, please feel free to reach out to Jeremy Green, NAR's Federal Housing Policy Representative at (312) 329-8404 or [JGreen@NAR.REALTOR](mailto:JGreen@NAR.REALTOR).

Sincerely,



Kenny Parcell  
2023 President, National Association of REALTORS®

---

<sup>1</sup> [NAR Housing Affordability Index](#)