



October 4, 2023

Julia R. Gordon  
Assistant Secretary for Housing and the Federal Housing Commissioner  
Federal Housing Administration  
451 7<sup>th</sup> Street, S.W., Washington, DC 20410

Dear Commissioner Gordon,

On behalf of the over 1.5 million members of the National Association of REALTORS® (NAR), we write to encourage the Federal Housing Administration (FHA) to consider policy solutions that will increase opportunities for buyers and sellers with FHA-insured mortgages.

The FHA plays a vital role in our nation's housing finance system to ensure access to homeownership for groups traditionally underserved by the private market: low- to moderate-income households, minority, and first-time homebuyers. Households earning \$75,000 – the median household income in the U.S. – are struggling to find homes to purchase. According to NAR research, only 23% of listings have a price lower than \$256,000, the maximum price these households can afford. Conversely, households earning \$250,000 can afford to purchase 85% of the listings on the market,<sup>1</sup> indicating a clear imbalance in the market. The lack of inventory available to low- and moderate-income buyers is only exacerbated by interest rates that are reaching 20-year highs. The Biden Administration and FHA have taken significant actions to address the nation's critical housing supply shortage and increase access to homeownership opportunities, but more must be done. While no one solution is a silver bullet, there are immediate policy actions FHA can take to unlock portions of the inventory that are currently unavailable to FHA buyers.

### **Update FHA's 90 Day Anti-Flipping Rule**

FHA's policies prohibit the financing of properties sold within 90 days of entering a sales contract. FHA will finance properties that were sold within 91-180 days, but requires additional protection, specifically the requirement of a second independent appraisal. Our organizations recognize the need to ensure relevant consumer protections. However, practitioners frequently report circumstances where buyers with FHA financing are restricted from purchasing homes that do not significantly exceed the original sale. To make a portion of the housing stock immediately available to FHA buyers, we recommend FHA permit the sale of homes purchased within 90 days of sale with the caveat that these properties receive the same second appraisal requirements afforded to homes sold within the 91-180 window.

### **Ease Condo Requirements**

Condominiums are considered a popular purchasing option for seniors and first-time homebuyers. According to NAR data, seniors born between 1925 and 1945 continue to purchase apartments and condos at higher shares than any other age group.<sup>2</sup> Because condos are typically a more affordable option, they provide an opportunity for homebuyers struggling to enter a low-inventory market.

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<sup>1</sup>[NAR Research Group and Realtor.com, "Housing Affordability and Supply Report," \(June 2023\).](#)

<sup>2</sup>[NAR Research Group, "Home Buyers and Sellers Generational Trends Report," \(2023\).](#)

In 2019, HUD updated its policies to address inventory challenges that ultimately increased the number of condos available to FHA buyers. Under these changes, HUD created the flexibility to revise FHA's policies under its own authority by mortgagee letter. As the housing inventory continues to worsen, we recommend FHA revisit the policies updated in 2019 to further expand the inventory available to buyers with government-insured mortgages. Specifically, we ask FHA to:

- **Increase the allowable commercial space in condominiums.** Currently, FHA allows condominiums to have 35% commercial space. As buyers are looking to live in areas with a variety of housing, retail, and transportation options, increasing the allowable commercial space would enable buyers to take advantage of properties in higher opportunity and densely populated areas.
- **Decrease Owner-Occupancy Requirements.** Condominiums often have a diverse population of occupants, from owners to long, and short-term renters. The current 50% owner-occupancy requirement places a high barrier on the type of occupancy FHA-approved condominiums can have, which restricts the number of units and buildings available to FHA buyers. Rather than specific occupancy requirements, FHA should consider the financial solvency of the condominium as the determining factor for what constitutes approval.
- **Increase Single Investor Ownership.** For properties with less than 20 units, a single investor can only own one unit for the building to be approved by FHA. For buildings more than 20 units, single investors can only own up to 10% of individual units. As investors have entered the residential marketplace at faster rates, the number of condominiums available to FHA buyers has decreased because of this restriction.

Our organizations recognize the importance of ensuring condominiums are financially solvent. FHA has the responsibility of protecting its buyers and owners from shouldering the costs of improvements needed to maintain the condominium's property. However, FHA can responsibly update its condominium policies to increase the inventory available to buyers who are frequently locked out of the market, as has been done in the past.

### **Increase Allowable Fees to Facilitate Assumptions**

Government-insured mortgages have the unique feature of being assumable to homebuyers. This distinct advantage creates opportunities for those with FHA-mortgages who are struggling to sell their homes in high interest rate environments, and consumers who wish to purchase but are sidelined because of higher monthly payments. Homebuyers can dramatically reduce their potential monthly payments by assuming loans at 3% to 5%, while sellers holding FHA mortgages will benefit from faster sales and potentially more equity. However, many practitioners report delayed transaction times (often 30-60 days, or more), as the time and work needed to underwrite and process the assumption does not correlate to the amount servicers are able to charge. Assumable mortgages have significant untapped potential for homebuyers and sellers, and we strongly encourage FHA to update its policies to help facilitate these transactions. Furthermore, these high hurdles limit consumers interest in these products.

## Further Collaboration

Once again, NAR thanks you for your efforts to support the nation's housing market and future buyers. We would greatly appreciate the opportunity to discuss the issues shared in this letter in more detail. In the meantime, 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,



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