



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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REGULATORY & INDUSTRY  
RELATIONS DEPARTMENT

**Joseph M. Ventrone**  
*Managing Director*

May 25, 2005

Rules Docket Clerk  
Office of the General Counsel  
Room 10276  
Department of Housing and Urban Development  
451 Seventh Street, SW  
Washington, DC 20410-0500

COMMENTS RE: DOCKET NO. FR-4946-I-01; HUD 2005-0004

The NATIONAL ASSOCIATION OF REALTORS® (NAR), which represents over one million real estate practitioners, would like to submit the following comments on the Interim rule governing the Eligibility of Adjustable Rate Mortgages [Docket No. FR-4946-I-01; HUD 2005-0004, March 29, 2005].

NAR supports the Interim rule. The rule allows FHA to insure 5-year hybrid ARMs with an annual cap of two percentage points and a life-of-loan cap of six percentage points. FHA anticipates that this new cap structure option will generate significant demand for this ARM product, as it has in the conventional mortgage market. The Interim rule became effective for mortgages endorsed on or after April 28, 2005.

NAR supported the enactment of the "Access to Affordable Mortgages Act," HR 1443 which allowed the annual interest rate for 5/1 ARMs to increase up to two percent. Also, in our comments on the March 11, 2003 proposed rule implementing the seven and ten year ARMs, we indicated that the one percentage point cap on adjustments for five year ARMs should be removed. In the private marketplace, such conventional loans were rarely offered because the one percent increase did not allow enough flexibility. The maximum one percent increase in the interest rate at the time of the first rate adjustment for a 5/1 ARM did not offer sufficient interest rate flexibility for a lender to offer this type of new ARM product at a lower interest rate than a traditional 30-year fixed rate mortgage.

The implementation of this Interim rule will benefit lenders and potential homebuyers by expanding the number of available insured mortgage options. Also, lenders can now offer a competitive and viable FHA mortgage insurance product to potential homebuyers.

The NATIONAL ASSOCIATION OF REALTORS® appreciates the opportunity to provide these comments. If we can provide further information, please contact Peter Morgan at 202-383-1233.

Sincerely,

Joseph M. Ventrone  
Managing Director