



May 12, 2025

The Honorable Russell T. Vought
Director
Office of Management and Budget
725 17th St, NW
Washington, DC 20503

Dear Director Vought,

On behalf of the 1.4 million members of the National Association of REALTORS® (NAR), we thank you for the opportunity to comment on regulations that REALTORS® believe might be altered to stimulate increased competition or benefit the market. The housing market currently suffers from significant affordability challenges driven by a secular shortage of owner and renter-occupied housing as well as a significant increase in mortgage rates. Efforts to improve regulation and efficiency in the housing ecosystem could help to alleviate the financial burden or stress on consumers and providers of housing. However, it should be done in a durable process that prevents confusion and instability for market participants.

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. Homeownership is a central part of the American dream, and eliminating or streamlining burdensome regulations in the housing ecosystem is key to supporting that ownership. Homebuyers and owners face the most difficult market in decades and regulatory reform is one means to support them.

Bank Regulation

Repropose Basel III End Game Proposal that Better Align with the US Mortgage System. As the bank regulators revisit the Basel III End Game proposal, REALTORS® have strong concerns about the current proposal, especially as it relates to the risk-weighting of mortgages and the effects on competition and demand from banks and investors with inevitable downstream effects to all borrowers, but especially first-time, minority borrowers, and low- and moderate-income borrowers.

The proposal makes drastic and sweeping changes to the capital requirements for single-family residential mortgages held in bank portfolios and especially impacts loans with high loan-to-value (LTV) ratios as well as the treatment of mortgage servicing rights (MSRs) and the cost of warehouse funding. These changes would add unnecessary costs to the process that would be passed onto consumers.

The current approach would require increased capital for the largest banking participants. However, given the interconnectedness of the banking system, many community and local institutions, who also rely on the largest participants for credit access, will also suffer from a further restriction of credit in an already difficult time. Likewise, the increased capital for warehouse lines would affect independent mortgage bankers who originate the vast majority of loans.

Without meaningful changes to the current proposal, NAR fears that the industry will face increased borrowing costs and a severe reduction in credit for the most vulnerable Americans at a time where housing is drifting further and further out of reach for many consumers across the economic spectrum.

NAR supports a housing finance system that is strong, resilient, well capitalized, well regulated, and offers broad access to qualified borrowers. We believe that the current proposal falls short in ensuring these goals and will add unnecessary pressure and cost onto a market that is already straining under the weight of historic underinvestment, high interest rates, and a lack of housing, especially affordable housing.

Government Sponsored Enterprises

Condo Regulations

Several requirements at the GSEs that were overseen by the FHFA weigh on the market for condominiums.

- **Clarify Seasonal Rental Definition in SEL-2020-06.** Fannie Mae's problematic language and "red flags" for condos implemented on December 7, 2020, may disqualify bona fide properties from eligibility for financing. Lender letter SEL-2020-06 introduced problematic definitions of second homes, condotels, and seasonal rentals. Despite clarifications, 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. Clearing up this language will help communities across the country that face other high costs of ownership.
- **Eliminate the use of form 1076/1077.** While well intended, the government-sponsored enterprises' (GSEs) standardized Condo Project Questionnaire

forms (1076/1077) create a burden for HOAs and properties. While these forms are not required but recommended to lenders, they are frequently passed onto HOAs and property management companies that do not have the organization or resources to adequately respond to them. Furthermore, the HOAs feel that the vague language in the forms may create legal jeopardy. Furthermore, the costs related to financial and engineering studies, costly improvements, and the need for raising reserves have created unexpected burdens for condo owners, particularly in markets like Florida which also face issues with insurance markets. The GSEs should alleviate the issue of HOA reporting and find ways to ameliorate the impact of unexpected assessments on condo owners.

Loan Level Pricing Adjustments

Reduce the loan level pricing adjustments (LLPAs) on second homes and investment properties implemented on January 5, 2022. LLPAs were raised on second homes and investor properties in 2022. While well intended, recent research (see Blizard, Conkling, and von Helms, *Mortgages for Second Residences and Housing Markets*) indicates that no private market participants filled the void for this market, resulting in a decline in sales of roughly 5% in markets with significant concentrations of second home. These LLPAs should be eliminated to allow industry and consumers to re-enter these markets and support ownership.

Appraisal Waivers

Eliminate Expansion of Appraisal Waivers for High Balance Purchase Mortgages Announced. On October 28th, 2024, the FHFA [announced](#) that beginning January 1st of 2025, Fannie Mae and Freddie Mac (the GSEs) would offer waivers to appraisals on properties where the borrower put down 10 percent or more and on properties or where the borrower put down as little as 3 percent if that property was reviewed by a property data collector (PDC). In both cases, the property would be evaluated by the GSEs using their internal valuation process and in the latter case the GSEs' PDC program would be used to update and verify data from the property. PDCs are a new initiative where unlicensed individuals collect data on the interior and exterior of the property and provide it to the GSEs for analysis.

REALTORS® support independent valuations of real property performed by state credentialed appraisers. Using a professional appraiser for the entire valuation process remains the best practice, however, technological advances and market demands have led to the use of hybrid valuations in certain circumstances. While the GSEs have published requirements for lenders and their appointees on the use of PDCs, the GSEs have not published analysis of the quality of data collected by PDCs or what professional backgrounds provide the most robust results. There has been no public analysis of the ability of these third parties to enforce data privacy and consumer protections as well. Likewise, neither the FHFA nor GSEs have published analysis of how waivers affect loss severities for their counterparties in the

credit risk transfer and private mortgage insurance markets. A change in severities due to waivers may need to be considered in the private mortgage insurance eligibility requirements (PMIERS) and could result in higher rates for consumers, particularly those with smaller down payments.

Furthermore, there was no public input on the implementation of this program. Under the final rule for Prior Approval of Enterprise Products, “If FHFA determines that a new activity is a new product, the final rule requires FHFA to publish a public notice soliciting comments on the new product for a 30-day period. After the comment period has ended, FHFA has 30 calendar days to approve or not approve the new product. Like the treatment of a new activity, the final rule provides FHFA with the authority to place conditions on the new product.” NAR believes this program qualifies as a new product.

Finally, though the GSEs are not explicitly federally backed, the reforms taken while they are in conservatorship are intended to improve safety and soundness of the housing finance system and taxpayers’ interests. The GSEs finance more than half of all purchase originations and that share may grow as depository lenders retrench in the face of rising mortgage rates and weaker portfolio values. Allowing the GSEs to waive appraisals means that they are taking on the risk of correctly valuing properties. The internalization of valuation risk by the GSEs poses a systemic threat to the housing finance ecosystem that could undermine investor confidence if ever questioned. Likewise, their programs to grant waivers could be abused to gain market share, just as the two entities gamed their pricing relative to capital to gain market share in the runup to the great financial crisis. This concern is especially salient if they exit conservatorship without an explicit federal backstop. Consequently, appropriate oversight of the Enterprises’ AVMs and waiver programs is critical to ensuring they support both their charter duties and liquidity.

Retain Policy Standardizing ROV Processes.

On May 1, 2024, Fannie Mae and Freddie Mac announced new policies for borrower-initiated appraisal reconsiderations of value, which standardized the process for all conventional mortgage transactions involving appraisals. Appraisals are essential to most mortgage transactions in establishing the market value, however, if there are errors or omissions that affect value in the report, this could result in lost opportunities for homeownership. Although lenders allowed borrowers to question the appraisal before this standardization, consumers were often unaware of this option at all or unaware of the information they should provide to initiate the ROV. Furthermore, the implementation of a standardized ROV process across lenders helped to streamline the process for lenders, appraisers, agents, and consumers.

To highlight this problem, real estate agents are often the borrower’s advocate and guide them through the homebuying process, but according to [NAR’s 2022 Appraiser Survey](#), 47% of REALTORS who are not appraisers were unaware of an ROV process in their market, while 14 percent believed that there was not one available to

them. The codification of ROV policies by the GSEs ensures disclosure to the consumer of the standardized process and allows real estate professionals to advise their clients to provide objective relevant information that can contribute to ensuring any errors or missing information in the appraisal can be corrected, without adding additional wasted time with nonessential information or lack of understanding of the requirements.

Consumer Financial Protection Bureau

Appraiser and AMC Fees

Update Appraisal Fee Disclosure and tolerance in TRID under §1026.19(e)(3)(ii)(C).

A predicate for an accurate and credible appraisal is the competency of the appraiser in both the knowledge and experience of real property valuation and the process of developing and communicating an appraisal. The manner of appraiser selection and retention must prioritize competency, suggesting a stronger market-wide vetting and quality control process for appraisers would be helpful. Appropriate compensation is critical to attracting appraisers of high quality as well as enabling them to invest in their own skills and education.

REALTORS® believe that regulators should implement and encourage changes that will illuminate differences and adequacy in appraiser compensation. The current line item in the TILA-RESPA Integrated Disclosure (TRID) form requests an aggregate appraisal fee. This aggregate bundle both the appraiser compensation as well as fees charged by third parties. Separating this field into fees received by appraisers versus those charged by third parties managing their services would be a simple and effective way to shed light on this issue and spur competition. To alleviate pressure on lenders, the appraisal fee should be provided greater leeway than the current zero tolerance to allow for appraiser shortages or other market-driven changes.

Federal Housing Administration

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. Because condos are typically a more affordable option, they provide an opportunity for homebuyers struggling to enter a low-inventory market.

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.

NAR recognizes 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.

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.

Federal Multifamily Housing Programs at HUD and USDA

Streamline National Environmental Policy Act (NEPA) requirements. NAR recognizes that streamlining NEPA review process represents a critical opportunity to accelerate multifamily housing development while maintaining environmental protections. By reforming NEPA's lengthy and often duplicative review procedures, we can significantly reduce project timelines that currently delay housing construction by months or even years. These reforms would enable developers to

bring new housing inventory to market more quickly, directly addressing the severe supply shortage that continues to drive affordability concerns across the country.

Modernize Davis-Bacon requirements. Modernizing Davis-Bacon requirements represents a key opportunity to balance multifamily housing affordability needs while preserving fair compensation for workers. The current wage determination and compliance process create administrative complexities that particularly challenge smaller builders and affordable housing developers. By carefully streamlining administrative requirements while maintaining wage protections, we can help reduce unnecessary costs that affect housing production. Additionally, these reforms could help support the adoption of innovative building practices that can dramatically improve construction efficiency while creating high-quality housing options.

Reform “Build America, Buy America” requirements. “Build America, Buy America” provisions, while well-intentioned, have created procurement challenges that delay projects and increase costs. A more flexible procurement framework would allow builders to source affordable materials while still supporting American manufacturing when feasible. This balanced approach would reduce construction costs and completion timelines, ultimately helping more Americans find homes they can afford, while supporting domestic industry through reasonable rather than rigid requirements.

Rescind HUD and USDA’s 30-day notice rule for rent nonpayment. HUD and USDA’s rule requiring 30-day notice before lease termination for nonpayment of rent in HUD-assisted multifamily properties makes permanent a temporary CARES Act provision intended only for the COVID pandemic. The rule extends federal control into state-established eviction processes and undermines states’ authority over landlord-tenant law. Rescinding this rule would preserve state authority, reduce regulatory burden on housing providers, and encourage private sector participation in HUD and USDA programs.

Requirements for HUD and USDA Financing

Reform HUD/USDA energy efficiency mandates for new construction. Currently, a HUD/USDA rule requires all HUD- and USDA-financed new single-family construction meet strict energy-efficiency building codes.

NAR recognizes that law requires HUD establish minimum energy standards, but we urge against mandating specific energy-efficiency standards in building codes for new construction. NAR believes that the impacts of new requirements on housing production must be carefully considered.

REALTORS® acknowledge that the importance of safe, cost-effective building code standards, but advocates for voluntary approaches and market-based solutions. Tax incentives and voluntary strategies to improve building energy-efficiency will

achieve performance goals while increasing housing opportunities for all. Focus should be on promoting and enhancing existing tools and programs that support energy efficiency and sustainable buildings, including addressing energy performance in older buildings.

NAR urges this Administration to address the housing supply challenges across the nation without imposing additional regulatory requirements that hinder capacity for the creation of new housing and make housing more expensive for buyers.

Department of Veterans Affairs

Secure veterans' rights to representation. Veterans continue to face significant challenges in today's competitive housing market when using VA loans. Addressing one of these challenges, the Department of Veterans Affairs has implemented a temporary policy allowing buyers to directly compensate their professional representatives, but this needs to become permanent. In situations where sellers provide no compensation to buyer's agents, VA buyers are immediately at a disadvantage, potentially forcing them to forego professional representation, lose a property in an already limited inventory, choose a different loan product, or exit the market entirely. NAR encourages VA to make these changes permanent and allow VA buyers the flexibility to compensate their real estate professional directly.

Ease requirements for VA loans. NAR encourages a thorough review of VA Loan Guarantee Program rules to enhance veteran competitiveness in the housing market. Today's veterans lose home purchase opportunities due to restrictions on paying certain fees, such as pest inspections and certifications. Sellers may hesitate to accept VA loans because of their strict conditions such as rigorous home inspections, as well as concerns about lower appraisals and longer closing timelines. VA should consider programmatic changes that maintain integrity while increasing flexibility to improve competitiveness and access to homeownership.

Environmental Protection Agency

Waters of the U.S. (WOTUS)

The current WOTUS regulation impedes the construction of new housing by putting up more barriers to using land for real estate development. The EPA has recently developed an approach that will provide greater regulatory clarity and certainty for regulated stakeholders, and ensure current regulations adhere to recent Supreme Court decisions. This approach, which includes new regulatory language and clarifying guidance, will reform how the Clean Water Act is enforced, limit the reach of the federal government, remove barriers to real estate development and return more power back to the states.

Department of Labor Independent Contractor Rule

NAR recognizes the importance of supporting all workers in a global economy and recognizes the unique role of independent work in our economy. Many real estate professionals work as independent contractors and choose to be classified as such, because of the autonomy, freedom, and flexibility that independent work offers. Real estate professionals often opt for independent work to best meet the needs of their clients and consumers broadly. Independent work within real estate is critical and since 1982, the Internal Revenue Code has recognized real estate agents as non-employees for tax purposes. NAR believes that real estate agents should be provided with the same exemption under the Fair Labor Standards Act (FLSA) and thus treated as statutory non-employees under the FLSA.

NAR appreciates the work of the Labor Department's current review of the 2024 final rule for "Employee or Independent Contractor Classification Under the Fair Labor Standards Act (FLSA)." NAR believes that this current rule should be reviewed and revised pursuant to the Administrative Procedures Act with critical input and feedback from stakeholders. Additionally, we believe that the Labor Department should work to adopt a rule that provides greater predictability, clarity, and certainty for how workers should be classified.

Working Together

REALTORS® greatly appreciate your work as Director to enhance the regulatory environment for the housing ecosystem. Thoughtful reform could reduce costs and delays to help industry and consumers in turn. Vetting changes through public input and a durable process will help to make reforms that will survive legal challenges, providing market participants with the clarity they need to operate. If you have questions, please contact Shannon McGahn, Executive Vice President and Chief Advocacy Officer (smcgahn@nar.realtor).

Sincerely,



Kevin Sears
2025 President
National Association of REALTORS®