NATIONAL ASSOCIATION OF REALTORS®

ADVOCACY GROUP
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Chief Advocacy Officer

September 1, 2026

Joseph M. Gormley
Acting Assistant Secretary for Housing-Federal Housing Commissioner
Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

Re: Draft Mortgagee Letter – Reinstatement Advance Payment (RAP) Demonstration

Dear Acting Commissioner Gormley:

On behalf of the nearly 1.5 million members of the National Association of REALTORS® (NAR), representing every ZIP code in the country, we appreciate the opportunity to comment on FHA's draft Reinstatement Advance Payment (RAP) demonstration.

NAR strongly supports FHA's efforts to modernize the Partial Claim program by offering an alternative to the separately recorded subordinate lien. Partial Claims are an important FHA loss mitigation tool that can help borrowers resolve mortgage delinquencies and return to sustainable homeownership, but their current structure can create unintended transaction challenges when borrowers later sell or refinance their homes. The draft RAP demonstration could help reduce transaction challenges while maintaining borrowers' repayment obligations.

NAR members identified a recurring transaction problem

Over the past several years, NAR members have reported transactions delayed or jeopardized when an FHA Partial Claim lien surfaced just before closing. Because these liens rarely appear on the borrower's monthly mortgage statement, many homeowners may not have a clear understanding of their outstanding Partial Claim balance or realize that it must be repaid separately from their first mortgage until they are already deep into a sale. At that point, obtaining a payoff and securing a release becomes a source of delay under already tight closing timelines. The financial stakes can be higher still: a seller expecting to walk away with equity can find that an outstanding balance substantially reduces those proceeds, or eliminates them, and can put the sale itself in doubt.

These challenges affect buyers and sellers alike, adding cost and uncertainty and, in some cases, resulting in a lost sale. By removing the separately recorded subordinate lien, RAP directly addresses a problem NAR members encounter in the market.

NAR believes RAP can provide a more transparent and efficient way to administer Partial Claim obligations without changing the borrower's underlying responsibility to repay the amount owed. Keeping that obligation within the servicing relationship, rather than through a separately recorded lien, should make it easier for borrowers to understand what they owe and reduce complications when they later sell or refinance.

Recommendations

As FHA implements the RAP demonstration, NAR offers the following recommendations.

- **Promote broad participation in the demonstration.** Because use of RAP is voluntary, NAR encourages FHA to monitor participation and identify barriers that may discourage servicers from using it. If participation is limited, many borrowers will continue to receive Partial Claims secured by subordinate mortgages, limiting RAP's ability to resolve the transaction challenges the demonstration is intended to address.

- **Make RAP balances clear and easy for borrowers to track.** NAR supports FHA's direction that servicers include the RAP balance on borrower statements and provide payoff quotes for outstanding RAPs. To fully realize the transparency benefits of RAP, NAR encourages FHA to require that the outstanding balance appear as a clearly labeled, standard line item on every periodic statement rather than at servicer discretion. Borrowers should be able to readily understand how much they owe, when repayment may be required, and how to obtain an accurate payoff amount before a sale or refinance is underway.

- **Consider borrower affordability at mortgage maturity.** When an outstanding RAP balance remains at the maturity of the FHA-insured mortgage and must be repaid in a single payment, it functions much like a balloon or bullet payment, a structure NAR has long recognized can create affordability challenges and foreclosure risk for borrowers who cannot satisfy a large lump-sum obligation. NAR encourages FHA to consider these risks as it develops repayment terms, so that borrowers reaching the end of their loan term are not exposed to avoidable payment shock or default.

Conclusion

NAR appreciates FHA's consideration of these comments and looks forward to working with the agency as the RAP demonstration moves forward. If you have any questions, please contact Elayne Weiss, Senior Policy Advisor, at eweiss@nar.realtor.

Sincerely,

Kevin Brown
2026 President, National Association of REALTORS®