

**July 2, 2021**

**Charlie Oppler**  
2021 President

**Bob Goldberg**  
Chief Executive Officer

**ADVOCACY GROUP**

**Shannon McGahn**  
Chief Advocacy Officer

The Honorable Sandra Thompson  
Acting Director  
Federal Housing Finance Agency  
Office of Housing and Regulatory Policy  
400 7th Street SW, 9<sup>th</sup> Floor  
Washington, DC 20219

**RE: Request for input: Short Term Rental Units in Condominium,  
Cooperative, and Planned Unit Development Projects**

Dear Director Thompson:

The National Association of REALTORS® (NAR) appreciates the opportunity to provide information and comments in response to the recent Request for Input on Short Term Rental Units in Condominium, Cooperative, and Planned Unit Development Projects.

The Federal Housing Finance Agency (FHFA) is seeking input on aspects of the project eligibility requirements that Fannie Mae and Freddie Mac (the Enterprises) impose on mortgage loan sellers (sellers). On October 7, 2020, Fannie Mae modified its lending rules, to tighten parameters on whether or not the GSE will lend in properties with significant short-term rentals and hotel-like amenities, known as condo-tels. The new lending protocols include problematic language that blur the line between second homes and short-term rentals. As a result, second home buyers are already being forced to seek more expensive loans or have transactions cancelled due to lack of financing.

Because these modifications could have long-term negative economic ramifications for second home and resort real estate markets, NAR believes that implementation of these changes should be paused while the public comments received under this Request for Input are reviewed and considered. This will allow Fannie Mae, in coordination with the FHFA, to make changes that would mitigate any economic harm done by this change in guidance.

NAR has several concerns about these modifications to Fannie Mae's condo-lending protocols, including:

- The modified rules contain ambiguous and undefined language that could complicate Fannie Mae's designation process, such as what constitutes "seasonal rental" and how long an owner needs to reside in the property.



- The modifications to the single-family guides could limit and restrict financing options in markets with large numbers of second homes or projects with relatively high shares of second homes, even though these properties may present excellent underlying loan values.
- Banks, as a result, are likely to charge higher interest rates for purchases in these projects, thereby having a negative impact on the universe of buyers who would be eligible to purchase, leading to additional affordability and inventory pressures.
- By leaving the determination of eligibility of projects up to lenders who may not have the skill or expertise to fully review all relevant information relating to a designation of a specific property, further harm is imposed on potential buyers and the communities in which they intend to purchase.
- Condo boards and Homeowners Associations (HOAs) do not have a way to appeal or contest Fannie Mae's designation of their property, examine their lender review, or provide additional input that could change Fannie Mae's decision or assessment of their project.

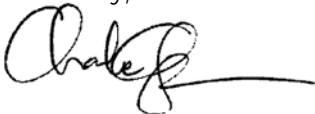
NAR believes that the FHFA and Fannie Mae should change the guideline to ameliorate the negative impact they could have on resort and second home housing markets. These changes include:

- The FHFA and Fannie Mae should clarify the language for what is considered a "seasonal rental" and how long an owner needs to reside in the property to qualify;
- Create an appeals process for building owners to contest the property designation that would enhance transparency and allow them to provide additional information that may allow Fannie Mae to reconsider; and
- Consider allowing rental income received by second home owners who rent their home on a seasonal basis to qualify the property under the Fannie Mae underwriting process.

Owners and investors should not be penalized for having short term rentals, condo-tels or properties with "resort-like" amenities. The underlying value of the property and ability to pay of its owners should be the operative factor.

Fannie Mae should carefully review all comments received in response to this RFI and make changes necessary to ensure these modifications help manage Fannie Mae's portfolio risk without unduly harming the economies that rely on resort and second-home real estate activity.

Sincerely,



Charlie Oppler  
2021 President, National Association of REALTORS®