



NATIONAL ASSOCIATION OF REALTORS®

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Charles McMillan, CIPS, GRI
President

May 22, 2009

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Transmitted by e-mail to RegComments@FHFA.Gov

RE: RIN 2590-AA25, 2009 Enterprise Transition Affordable Housing Goals

Dear Mr. Pollard:

On behalf of the 1.2 million members of the National Association of REALTORS® (NAR), I am submitting NAR's comments on the proposed rule of the Federal Housing Finance Agency (FHFA) to adjust the 2009 housing goals for Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs). 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 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

The Housing and Economic Recovery Act of 2008 (HERA) transferred the authority to establish, monitor, and enforce the GSE affordable housing goals from HUD to FHFA. HERA requires FHFA to review the 2009 goals to assess the feasibility of compliance under current market conditions and authorizes appropriate adjustments. The proposed rule would lower the goals in implementing that authority.

Lower Goals

NAR generally supports the need to reduce goals in light of the factors specified in the preamble: (1) tighter underwriting, (2) higher private mortgage insurance standards, (3) the boom in Federal Housing Administration (FHA) lending, (4) the collapse of the private label mortgage backed securities market, (5) increasing unemployment, (6) volatility in the multifamily housing market, and (7) a surge in refinancings in 2009. Lowering the goals is consistent with NAR policy to promote homeownership only for families who can afford it. The significant decrease in home prices, which appears to be moderating in most market, should help

families, including many low- and moderate-income families, find affordable homes and yet minimize the problems too many families have experienced in the last several years.

NAR continues to support ambitious, but reasonable, housing goals for the GSEs, but continues to be concerned about overly ambitious goals. Our July 15, 2004, comment on the proposed goals for 2005-2008 warned HUD that “the Proposed Rule assumes a GSE market share and future economic conditions that are too optimistic.” In particular, we were worried that the goals would “distort mortgage markets” and pointed out that goals “set too high can be just as damaging as goals that are set too low.” Unfortunately, HUD did not listen to our concerns that have been validated by recent experience.

NAR reviewed the subprime lending market starting at the end of 2004 and in May 2005 issued its policy in response to the abuses in mortgage lending and called for underwriting that is consistent with sustainable homeownership. The post-2005 HUD goals forcing the GSEs to take undue risks to meet the goals appear to have been a factor behind the market dislocations that have led to millions of foreclosures. Of course, there were many other factors, including overreaching by the GSEs for market share, accepting weak “Alt-A” underwriting, and purchasing tranches of questionable private label securities, as well as weak underwriting by too many subprime lenders, inappropriate lending by FDIC-insured institutions that made possible the operations of abusive subprime lenders, and a flood of excess capital, worldwide.

Jumbo Conforming Loans

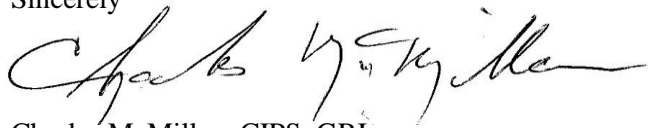
Jumbo conforming loans (loans above \$417,000 up to the maximum limit for high cost areas, capped at \$729,750) would be excluded by the proposed rule for purposes of the goals. This is consistent with the requirement of the Economic Stabilization Act enacted in February 2008. NAR does not object to this approach, because it does not believe it will impair the ability of the GSEs to purchase jumbo conforming loans. But let me take this opportunity to point out the importance of a healthy housing market through a full range of home prices: conforming, jumbo conforming, and jumbo. NAR’s Research Department recently analyzed the impact of the jumbo mortgage credit crunch, where lending is very, very difficult to obtain. This lack of jumbo loan availability, the report finds, is hindering the economic and housing recoveries. And while there is jumbo conforming mortgage lending available for many, it comes with significantly higher rates, higher fees, and tighter underwriting than conforming loans up to \$417,000. Jumbo conforming lending is being restricted by several other factors, including the GSE’s delay in implementing the 2009 limits, the SIFMA policy limiting to 10 percent the amount of jumbo conforming mortgages that may be included in to-be-announced (TBA) pools, and confusion by lenders and their reluctance to make these loans. As you continue to oversee and manage the GSEs, please keep in mind the important role GSE purchases of jumbo conforming loans play in healthy housing and mortgage markets and strive to avoid imposition of unnecessary constraints.

Counting of Modified Loans

The proposed rule would count, for purposes of the housing goals, loans that are owned or guaranteed by the GSEs and that are modified under the Obama Administration's Making Home Affordable Loan Modification Program. NAR supports this approach because the program will help millions of families avoid foreclosure. This policy will give the GSEs an incentive to achieve the Administration's ambitious goals. It is better to keep families in their homes, and give the GSEs full credit for making that happen, than to force the families to become renters and only when they return to homeownership allow the loans to be counted towards the housing goals.

If you would like to discuss our comments and concerns, please have your staff contact Jeff Lischer, NAR's Managing Director for Regulatory Policy, at 202.383.1117 or jlischer@realtors.org.

Sincerely

A handwritten signature in cursive script, appearing to read "Charles McMillan".

Charles McMillan, CIPS, GRI
2009 President, National Association of REALTORS®