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500 New Jersey Ave., NW  
Washington, DC 20001-2020  
Ph. 202-383-1194 Fax 202-3837580  
www.REALTOR.org

July 7, 2011

The Honorable Shaun Donovan  
Secretary of Housing and Urban Development  
Washington, DC 20410

Dear Secretary Donovan:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to express our concerns that several banks are prematurely implementing the new, lower loan limits for loans insured by the Federal Housing Administration (FHA). 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®.

As you know, the loan limits are currently scheduled to revert back to limits as determined under the Housing and Economic Recovery Act (HERA) on October 1, 2011. This will negatively impact many communities across the country. According to reports, at least one lender started using the new, lower loan limits on July 1, 2011. It is our understanding that due to a lack of guidance from the Federal Housing Administration (FHA), some lenders are already implementing the lower loan limits. As a result, more than 90 days before the limits become effective, pending real estate transactions are already being denied.

NAR strongly urges FHA to issue guidance on the implementation of new loan limits. In May of this year, FHA issued a market analysis of how the reverting loan limits will impact 669 counties and county equivalents across the country but did not issue implementation guidance for lenders. Lenders have indicated that the new, lower loan limits are being adhered to because it is not clear what loans will be eligible for FHA insurance under existing loan limits as we approach September 30, 2011. We recommend that FHA instruct lenders to utilize the current loan limits for any case number issued prior to October 1, 2011. This will provide a clear message to lenders that FHA will insure loans up to legally permitted limits even if the closing occurs after the end of the federal fiscal year.

Thank you for your time and consideration of this matter. If you would like to further discuss this issue contact our Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or [jnagy@realtors.org](mailto:jnagy@realtors.org).

Sincerely,

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR  
2011 President, National Association of REALTORS®

cc: Mr. Robert C. Ryan, Acting Assistant Secretary for Housing – Federal Housing Commissioner



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