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March 26, 2012

Ms. Carol Galante
Acting Assistant Secretary for Housing - Federal Housing Commissioner
US Department of Housing and Urban Development
Washington, DC 20410

Title: **Federal Housing Administration (FHA) Risk Management Initiatives: Revised Seller Concessions**

Docket No: **FR-5572-N-01**

Dear Ms. Galante:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to provide comments on Federal Register Notice Docket Number FR-5572-N-01, Federal Housing Administration (FHA) Risk Management Initiatives: Seller Concessions. We generally support the proposed rule as written but recommend enhancements to mitigate unintended consequences that may negatively impact communities with higher than average closing costs.

The National Association of REALTORS® is America's largest trade association, including its eight affiliated Institutes, Societies and Councils, five of which focus on commercial transactions. 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®.

NAR believes that reducing permitted seller concessions will be significantly impact the recovery of the real estate market. FHA currently permits seller concessions up to 6 percent of the purchase price of the home. The proposed rule narrows the definition of seller concessions to eliminate what the agency believes are inducements to purchase. In the notice, FHA proposes to reduce the closing costs a seller may pay on behalf of the borrower to the greater of 3 percent or $6,000.

NAR recommends allowing seller concessions greater than the proposed 3 percent or $6,000; especially in areas of the country with higher closing costs. The states with the highest closing costs are New York, Texas, California and Utah. Our members in these areas report that seller concessions are often higher than 3 percent and are critical to allowing the borrowers to purchase the home without depleting all of their savings. However, reducing permitted seller concessions will increase the cost of homeownership for many borrowers in many areas. For example, in Philadelphia the real estate transfer tax alone is 2 percent. In this market, reaching the maximum allowable concession in the proposed rule may not be sufficient particularly for first-time homebuyers or low-moderate income buyers that may not have substantial savings for remaining closing costs.

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NAR recommends that HUD provide additional guidance with respect to the $6,000 cap being tied to an index. According to the proposed rule, the $6,000 cap may increase annually at the same percentage rate as the FHA national loan limit floor. NAR believes the final rule should explicitly state that while the cap may increase with the FHA national loan limit floor, the cap will not fall below the $6,000 cap should the FHA loan limit floor be reduced for any reason.

NAR generally supports the definition of seller concessions, however, strongly recommends that payments of homeowners association (HOA) fees not be prohibited in the final rule. The proposed rule offers no evidence that a seller paying HOA fees for a short period of time is an inducement to sell. NAR questions the proposed rule's assumption that when recurring homeownership costs are prepaid on a temporary basis the borrower experiences "payment shock and subsequent default"[1] at a later date. It is our understanding that during underwriting process lenders include HOA fees as part of the ability to repay so there should be no payment shock when the temporary reprieve from the seller expires. HUD could require additional disclosure to the borrower that payment is temporarily one amount but will increase to a different amount at a date certain as a result of the agreed upon concession. NAR is further concerned that prohibiting HOA fees as a seller concession will cause further harm to a condominium market that is already suffering regulatory burdens not found in the single family market.

Thank you for your time and consideration of this matter. If you have any questions or concerns, or if I may be of service to you, please do not hesitate to contact me or our Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or jnagy@realtors.org.

Sincerely,

Maurice "Moe" Veissi
2012 President, National Association of REALTORS®

[1] Federal Housing Administration (FHA) Risk Management Initiatives: Revised Seller Concessions. Docket No. FR-5572-N-01. February 23, 2012. P. 10698