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December 13, 2013

Mr. Charles Coulter
Deputy Assistant Secretary – Single Family Housing
US Department of Housing and Urban Development
Washington, DC 20410

Dear Mr. Coulter:

I am writing on behalf of more than one million members of the National Association of REALTORS® (NAR) to comment on the draft FHA Single Family Handbook. We applaud FHA's effort to consolidate prior handbooks, Mortgagee Letters, and Housing Notices into a single document. We believe the handbook will be easier to understand and allow the industry to more effectively implement FHA policies.

The National Association of REALTORS® is America's largest trade association, including our eight affiliated Institutes, 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®.

NAR appreciates the opportunity to comment on the draft handbook. There are several policy changes NAR would like to highlight that could further restrict credit for borrowers who are already paying record-high premiums and permanent mortgage insurance on FHA loans. For example:

Mortgagees must now include all deferred obligations in the calculation of borrower's debt

FHA policy currently states that debt payments scheduled to begin within 12 months of the mortgage loan closing must be included in a borrower's debt calculation. Debt payments do not have to be classified as projected obligations if the borrower provides written evidence that the debt will be deferred to a period outside the 12-month timeframe. FHA's proposed change to require all deferred obligations to be calculated will negatively impact the affordability of FHA loans. The proposed policy gives no guidance for student loans, which have varying repayment plans, some of which are income-based.

Gift funds may no longer be accepted from "close friends"

The proposed policy states that gift funds must come from a family member, employer, charitable organization, or government agency that provides home ownership assistance. This policy eliminates downpayment assistance from trusted friends who may have a closer relationship to the borrower than many family members. For instance, couples who live together, but are not married, would not be allowed to contribute funds to a downpayment. The new FHA

Handbook also defines a family member to exclude some relatives, such as cousins. These changes unfairly limit funds that should be available to homebuyers who would otherwise qualify for an FHA loan. In 2013, 27 percent of all first-time homebuyers used funds from friends or family to help with their downpayments.

For employees who are hourly, the mortgagee must average income over the previous two years

Current FHA policy does not distinguish between salaried and hourly workers in calculation of effective income. The proposed policy would now require mortgagees to treat hourly wage earners different from salaried workers. Effective income would be calculated using an average of the hourly wage over the previous two years, rather than the current hourly wage. If the mortgagee can document an increase in pay rate, the mortgagee may use the most recent 12-month average of hours at the current pay rate. This proposed policy discriminates against hourly workers who may have transitioned recently from part-time hourly work while being in apprenticeship or re-training programs to full-time hourly work and have worked just as hard as a salaried worker to earn a raise, but will not reap the same benefits from the effort. For employees who are salaried, mortgagees can use the most current salary to calculate effective income.

If a borrower has not filed a federal tax return for the previous tax reporting period, the mortgagee may not gross-up income

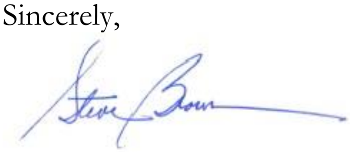
FHA policy allows mortgagees to gross-up income for borrowers who do not file tax returns as long as they use the 25% tax rate. The proposed policy change to eliminate grossing-up income for borrowers who have not filed federal tax returns will negatively impact borrowers who rely on income not subject to federal taxes such as social security income, some federal government employee retirement income or military allowances.

Additional Policy Changes

We also urge FHA to re-examine proposed changes to credit standards for loans that are manually underwritten and restrictive credit standards for short term debt and persons who have previously defaulted on a non-tax federal debt. These changes may negatively impact otherwise qualified borrowers, many of whom are low and moderate income families and first time homebuyers.

Thank you for your time and consideration. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sarah Young, at (202) 383-1233 or scyoung@realtors.org.

Sincerely,



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