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500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-383-7580
www.REALTOR.org

March 19, 2014

The Honorable Carol Galante
Assistant Secretary for Housing – Federal Housing Commissioner
US Department of Housing and Urban Development
Washington, DC 20410

Dear Commissioner Galante:

I am writing on behalf of the one million members of the National Association of REALTORS® (NAR) in response to concerns about significant drops in FHA loan limits in some areas with revised Metropolitan Statistical Area (MSA) determinations.

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®.

NAR is aware that MSAs are determined by the Office of Management and Budget (OMB) based on commuting patterns and other labor statistics. When calculating the limits, FHA uses the "MSA Rule" whereby it takes all the counties in an MSA and applies the highest loan limit among them to all the counties within the MSA. If certain counties are pulled out of an MSA, it can cause dramatic decreases in area loan limits. For example, in 2013 OMB removed Summit County from the Salt Lake City MSA. As a result, Salt Lake County's loan limit dropped from $729,750 to $300,150, while Summit County retained a higher loan limit of $600,300.

If an MSA change has a negative impact on an area's loan limits, FHA has the discretion to modify which counties it selects to calculate an area's loan limits. According to OMB Bulletin 13-01, "An agency using the statistical delineations in a nonstatistical program may modify the delineations, but only for the purposes of that program. In such cases, any modifications should be clearly identified as deviations from the OMB statistical area delineations in order to avoid confusion with OMB's official delineations of Metropolitan, Micropolitan, and Combined Statistical Areas."

NAR urges FHA to use its granted discretion to adjust loan limits for areas that have had significant declines. It is critical to maintain access to affordable mortgage credit to ensure continued improvement in our nation's housing markets.

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,

Steve Brown

Steve Brown
2014 President, National Association of REALTORS

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