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May 7, 2014

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

Re: Docket No. FR 5360-P-01
[Transmitted electronically through www.regulations.gov]

Dear Commissioner Galante:

I am writing on behalf of the one million members of the National Association of REALTORS® (NAR) to provide comments on the Department of Housing and Urban Development's (HUD) proposed rule on eliminating post-payment interest charges for Federal Housing Administration (FHA) insured loans. NAR strongly supports the proposed rule.

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 proposed rule would prohibit mortgagees from charging borrowers interest on their home mortgages after a principal balance pay-off. The proposed rule will align HUD policy with the Consumer Financial Protection Bureau's (CFPB) Final Qualified Mortgage Rule.

NAR has urged FHA and Ginnie Mae to remove this prepayment penalty for years. Conventional loans, as well as loans from the Veterans Administration's Loan Guaranty Program and the U.S. Department of Agriculture's Rural Housing Service loan program, do not have post-payment interest charges. FHA's antiquated policy has placed an unreasonable and often unexpected burden on FHA consumers who already face high housing and closing costs. Given the high rate of refinancing and new mortgages in this current market, it is difficult to select the date of closing. Even when consumers are aware of the pre-payment penalty, they are on the timetable of the buyer, the settlement company, title company and mortgage lender and cannot always close on the last day of the month. When closings are delayed, borrowers can be required to pay close to an entire extra month of interest on loans they no longer have.

In the proposed rule, HUD expresses concern that eliminating post payment interest charges will force FHA lenders to bear the entire cost of interest from the prepayment date to the end of the month. HUD expects that the lenders will look elsewhere to recoup these costs, charging a higher interest rate or servicing

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fee differential on all FHA-insured loans than they might have otherwise charged. NAR feels that this concern is overstated. Lenders continue to offer VA and RHS loans, which are securitized by Ginnie Mae and do not have prepayment penalties, but offer interest rates similar to current FHA rates. FHA will also continue to be attractive to investors, regardless of the excess interest payments, because FHA loans carry the guarantee of the federal government.

NAR applauds HUD for issuing the proposed rule to eliminate post-payment interest charges. The change is long overdue and will help millions of Americans who rely on FHA insured loans to purchase their homes. We appreciate 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®