

Update

i. NAR Responds to FHFA Guidance on HVCC

On August 4, 2009, NAR President Charles McMillan sent a [letter](#) to Federal Housing Finance Agency (FHFA) Director James Lockhart addressing the agency's recent guidance on the Home Valuation Code of Conduct (HVCC). The [Guidance](#) states that HVCC should mitigate controversy by increasing protection for appraisers. In the [letter](#), Mr. McMillan applauds FHFA for its efforts to address misinformation surrounding the Code but disagrees that the HVCC is appropriately dealing with the controversy surrounding the appraisal process.

NAR cites [survey data](#) that seems to indicate that the Code is creating negative unintended consequences. "According to a survey of our members, 76 percent of respondents said the length of time to obtain a completed appraisal report increased after May 1, 2009. More than one third of REALTORS® have lost at least one sale because of a delay in the appraisal process. At the same time, respondents who identified themselves as appraisers said their time frame to submit an appraisal report has decreased and half of these respondents say this impacts the quality of the appraisal report." At the same time, the cost to the consumer is increasing.

ii. Federal Reserve Board Proposes Major Changes to TILA Disclosures for Mortgages & HELOCs

On July 23, 2009, the Federal Reserve Board (the Fed) [proposed changes](#) to its Truth in Lending Act (TILA) regulations designed to improve consumer disclosures received in connection with mortgages and home equity lines of credit (HELOC). The changes are based on consumer testing conducted by the Fed and are designed to enhance the ability of consumers to shop for and understand the cost of mortgages and HELOCs.

The Fed announced it would work with the U.S. Department of Housing and Urban Development (HUD) to make disclosures under TILA complementary with the disclosures required by the Real Estate Settlement Procedures Act (RESPA). The Fed is considering developing a combined disclosure form that meets the requirements of both TILA and RESPA. NAR has urged the Fed and HUD to develop a single disclosure form.

The proposal also prevents mortgage loan originators from steering consumers to more expensive loans by prohibiting payments to mortgage brokers or loan officers based on the interest rate or other loan terms.

The public comment period will end 120 days after publication of the proposals in the Federal Register (expected soon).

iii. Congress Unlikely to Consider First-Time Homebuyer Tax Credit Until October

Due to delays in the Senate and House on the health reform measures, it is unlikely that extension, and possibly expansion, of the \$8,000 first-time homebuyer tax credit will be considered by Congress until October. Currently, the tax credit is set to expire on December 1, 2009. NAR believes that extending the tax credit to all purchasers and extending the deadline until December 2010 will further stimulate the economy, and ensure that there will be a vibrant housing market that can sustain its current momentum.

August 2009 Update

- i. NAR Responds to FHFA Guidance on HVCC
- ii. Fed Proposes Major Changes to TILA Disclosures for Mortgages & HELOCs
- iii. Congress Unlikely to Consider First-Time Homebuyer Tax Credit Until October
- iv. HUD Issues FAQs on New RESPA Rule
- v. NAR Asks Obama Administration to Urge Servicers to Participate in Upcoming Short Sales Program
- vi. Freddie Mac Stresses Appraisers Knowledge of Local Areas in Recent Bulletin
- vii. NAR Applauds FHA Modification Program
- viii. August Health Insurance Reform Deadline Passes Without Floor Votes
- ix. NAR Supports Potential FTC Rule on Unfair/Deceptive Practices by Non-bank Financial Companies
- x. NAR Calls for Enhancements to NEW HFA Condominium Rules
- xi. Lead Paint Renovation Compliance Guide Now Available On-Line
- xii. Announcements

iv. HUD Issues FAQs on New RESPA Rule

On August 14, 2009, HUD issued new FAQs on the RESPA rule due to be implemented in January 2010. NAR is reviewing the FAQs with our members and their affiliates to determine if unanswered questions remain. Assuming the rule goes into effect as planned, we hope to ensure the transition is smooth and the least burdensome for our members. To view the RESPA FAQs, [click here](#) or visit <http://www.hud.gov/offices/hsg/ramh/res/faqfinalrev2.pdf>.

v. NAR Asks Obama Administration to Urge Servicers to Participate in the Upcoming Short Sales Program

On July 24, 2009, NAR President Charles McMillan [wrote](#) to officials of the U.S. Department of Treasury and the Department of Housing and Urban Development (HUD) asking them to include a discussion of the importance of participation in the Obama Administration's upcoming Short Sales Program in their meeting with servicers on July 28, 2009. The new Short Sales Program, adopted in response to concerns raised by NAR on behalf of REALTORS® and others, promises to increase uniformity, transparency, and speed for short sales transactions.

The Administration called the nation's top mortgage servicers to the July 28 meeting to express disappointment at the rate of implementation of the Making Home Affordable Loan Modification Program. Press reports indicate that there is widespread concern about the slow rate at which loans are being modified. One article reported the view that servicers have a financial disincentive to modify loans because they receive additional fees from investors/lenders for managing delinquent mortgages and are violating their contracts with the government to modify loans for qualified borrowers. As a result of the meeting, the Administration and the servicers agreed to a goal of 500,000 modifications by November 1.

The Administration has set the end of August as its delayed target date for issuing guidelines and uniform forms for the Short Sales Program.

vi. Freddie Mac Stresses Appraisers Knowledge of Local Areas in Recent Bulletin

On July 10, Freddie Mac released [Bulletin 2009-18](#) to sellers and servicers. The [bulletin](#) addresses appraisals and underwriting. Regarding appraisals, the bulletin focuses on qualified appraisers, credible appraisers, comparable sales, and monitory appraisal quality. Freddie Mac reminds sellers that they must be in compliance with the Home Valuation Code of Conduct (HVCC).

The guidance also reminds servicers that appraisers must be familiar with local markets where the property is located, must be competent to appraise the subject property type, and must have access to data needed to create a credible appraisal. NAR has strongly emphasized the issue of out of area appraisers in recent meetings and conversations with the Federal Housing Finance Agency (FHFA) and both government sponsored enterprises, Fannie Mae and Freddie Mac.

vii. NAR Applauds FHA Modification Program

On July 30, 2009, the Federal Housing Administration (FHA) announced in [Mortgagee Letter 2009-23](#), FHA's Home Affordable Modification Loss Mitigation Option, to assist FHA borrowers under the Making Home Affordable Program. The new FHA-Home Affordable Mortgage Program (FHA-HAMP) allows borrowers with a FHA loan currently in default to use a partial claim of up to 30 percent of the unpaid principal combined with a loan modification. The objective is to help borrowers who are in default to modify their mortgage and create an affordable payment. The program becomes effective on August 15, 2009.

NAR applauds the new program as another tool in addressing the current real estate crisis. NAR President Charles McMillan said "these changes expand the Obama administration's Making Home Affordable Loan Modification Program to include FHA borrowers, and REALTORS® are optimistic that this will have positive implications for thousands of homeowners. Helping more families stay current on their mortgage and remain in their homes will reduce the impact of foreclosures on families and communities."

viii. August Health Insurance Reform Deadline Passes Without Floor Votes

On August 1, 2009, the House Energy and Commerce Committee passed HR 3200, the House healthcare bill by a vote of 31-28 with all Republicans and 5 Democrats on the committee voting no. The markup ended a long couple of weeks

of negotiations, but there was still an agreement to revisit the bill and pending amendments when the House returns to Washington in September.

Concerned with the cost of the bill and provisions that would create an optional public insurance program, the committee's moderate Blue Dog members had earlier indicated their plans to oppose the bill unless amended to address their concerns. Changes sought included cutting the cost of the bill by \$100 billion by restructuring the bill's tax credits for individuals, increasing the threshold for small businesses that would be exempted from the bill's employer mandate requirements and postponing any floor consideration of the bill until after the August recess.

In the Senate, while progress was made, the Senate Finance Committee failed to consider a bill. Despite pressure from Senate leadership and the White House to move a bill prior to recessing on August 7th, Finance Committee leaders, Chairman Max Baucus and Ranking Minority Member Charles Grassley, working with a bipartisan group of four other Senate Finance Committee members, were unable to create a compromise bill that could successfully make it's way through the Senate. The group of six and committee staff will continue to work through the August recess with a committee markup planned for September.

NAR continues to meet with House and Senate offices and committee staff on the various components of the reform proposals. Staff continue to analyze the mammoth bills and consult with the members of NAR's Business Issues Committee and Federal Tax Policy Committee for specific policy input. NAR has not taken a position on any of the health reform bills at this time.

ix. NAR Supports Potential FTC Rule on Unfair or Deceptive Practices by Non-bank Financial Companies

On July 30, 2009, the National Association of REALTORS® (NAR) President Charles McMillan called on the Federal Trade Commission (FTC) to promulgate a rule to prevent unfair or deceptive acts or practices with respect to mortgage lending activities engaged in by non-bank financial companies. Mr. McMillan's [letter](#) was in response to a FTC advance notice of proposed rulemaking (ANPR) on mortgage acts and practices. The ANPR addresses activities that occur throughout the life-cycle of a mortgage loan, including mortgage loan advertising and marketing, origination, appraisals, and servicing.

NAR has a strong stake in preventing abusive lending practices and supports the principal that stakeholders involved with mortgage lending activities should act in "good faith and with fair dealings" in a transaction and treat all parties honestly. Consistent with this, NAR supports the FTC's efforts and has supported similar efforts in the past. NAR previously supported the efforts of the federal banking agencies and their state counterparts to address abusive lending practices by issuing the Interagency Guidance on Nontraditional Mortgage Product Risks and the Statement on Subprime Mortgage Lending (Guidelines).

In the [letter](#), NAR urges the FTC to adopt regulations applicable to mortgage lending activities engaged in by non-bank financial companies such as non-bank mortgage lenders, brokers, appraisers, or servicers. Mr. McMillan states in the [letter](#), "Too many homeowners and home buyers today are the victims of failure of the free market, the full scope and impact of which remain unclear, even today." NAR believes that a rule, as it applies to mortgage lending, should include general principles, with specific examples to guide those subject to the rule of the practices to apply and those to avoid. Codifying the FTC principles for non-bank financial companies will provide a level playing field for the mortgage industry and protect consumers across the board.

x. NAR Calls for Enhancements to New FHA Condominium Rules

On July 31, 2009, NAR President Charles McMillan sent a [letter](#) to FHA Commissioner David Stevens calling for enhancements to recently announced [Mortgagee Letter 2009-19](#), Condominium Approval Process – Single Family Housing. In the [letter](#), NAR applauds FHA for reducing the owner-occupancy requirement from 51 percent to 50 percent but argues this reduction is not sufficient. NAR recommends that FHA adopt a policy similar to government sponsored enterprises, Fannie Mae and Freddie Mac, where there is no owner-occupancy requirement if the borrower is going to occupy the unit after purchase. NAR also recommends increasing or temporarily suspending the FHA concentration requirement, reducing or eliminating the requirement that 50 percent of units must be sold prior to FHA insuring a mortgage in the project, and clarification on the reserve study requirement.

NAR believes that enhancements to the [mortgagee letter](#) will help stabilize many condominium projects and benefit all

stakeholders in the real estate transaction. Lenders will have the opportunity to move REO properties off their books because more units could be eligible for buyers with FHA mortgages. Individuals and families purchasing units in these developments with FHA loans will have access to more flexible and affordable financing opportunities. Potential buyers with FHA mortgages will have a wider choice of condominium developments. Finally, existing owners in these developments benefit as vacant units are purchased and occupied and the owner-occupied ratio increases.

xi. Lead Paint Renovation Compliance Guide Now Available On-Line

This compliance guide provides information for REALTORS® and property managers on the EPA's new Renovation, Repair and Painting Rule. The guide describes the new lead-based paint safety practices established by the rule, and what steps REALTORS® and property managers need to take to comply with the new procedures.

The guide includes a short introduction, two narrated presentations, and two sets of frequently asked questions (FAQ) answered by EPA officials and regulatory experts--one video each for REALTORS® and property managers. Visit the guide at www.realtor.org/leadpaint.

xii. Announcements

During the 2009 REALTORS® Conference and Expo in San Diego, the Real Estate Services program will host a forum titled "State of the Real Estate Industry". Scheduled for Saturday, November 14 from 9:00am to 10:30am, leading executives from major real estate firms will examine the current and future state of the real estate industry. Hear what these executives are predicting for the industry in 2010, discover the key issues real estate firms are dealing with given the current environment and learn ideas for how REALTORS® can handle the current and future environment. Speakers include:



Harley Rouda, Jr.
CEO
Real Living



Helen Hanna Casey
President
*Howard Hanna Casey
Real Estate Services*



Lennox Scott
Chairman & CEO
John L. Scott Real Estate



Merle Whitehead
President & CEO
RealtyUSA

For more information on the 2009 REALTORS® Conference and Expo or to register, please click [here](http://www.realtor.org/convention.nsf/) or visit <http://www.realtor.org/convention.nsf/>.

For more information on the Real Estate Service program at NAR, please visit www.realtor.org/res

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