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January 6, 2012

The Honorable Shaun Donovan  
Secretary of Housing and Urban Development  
Washington, DC 20410

Dear Secretary Donovan:

On behalf of the 1.1 million members of National Association of REALTORS® (NAR), I am writing to request that investors be permitted to participate in the Federal Housing Administration’s (FHA) Section 203(k) Rehabilitation Mortgage Insurance Program. 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 recommends permitting investors to participate in the 203(k) Program to purchase vacant and foreclosed properties in need of significant rehabilitation. According to the Federal Reserve<sup>1</sup>, approximately 500,000 of 2,000,000 vacant homes for sale in the second quarter of 2011 may have been real estate owned (REO). An additional two million REO properties could flood the market in 2012 and 2013. Many foreclosed properties are severely damaged after they are vacated making them difficult to sell. Investors utilizing the 203(k) Program could purchase dilapidated, foreclosed properties for rehabilitation and resale or conversion into rental units.

Any enhancements to the 203(k) Program should include appropriate measures to ensure protection of the taxpayer and FHA’s Mutual Mortgage Insurance Fund (MMIF). NAR believes, for example, that higher risk transactions identified by the HUD Inspector General in the 1990s should be excluded from this new initiative for the program.

Amending the 203(k) Program will help restore vibrant housing markets and neighborhoods across the country. Vacant, dilapidated homes will be renewed and provide safe, comfortable homes for families. Investors will be able to access credit that is unavailable because of the current economic crisis. People will be put to work fixing these homes. Finally, neighborhoods will be stabilized and previously vacant homes will contribute to the local property tax base.



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<sup>1</sup> “The US Housing Market: Current Conditions and Policy Considerations.” Board of Governors of the Federal Reserve System. January 4, 2011. P.8

I would like to meet with you in the next month to discuss this matter. If you have any questions or comments regarding this letter, please contact our Senior Regulatory Policy Representative, Jerry Nagy at 202.383.1233 or [jnagy@realtors.org](mailto:jnagy@realtors.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Moe', with a horizontal line extending to the right.

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

cc: Ms. Carole Galante  
Acting Assistant Secretary for Housing/Federal Housing Administration Commissioner