CALIFORNIA ASSOCIATION OF REALTORS®

September 15, 2011

	Type of Strategy
X	Outright purchase
	Joint-venture
	Rent-and-hold
	Lease-to-own
X	Other: Do not implement any program described in or closely resembles those in the Request for Information

2011 OFFICERS

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JOEL SINGER
Executive Vice President/ State Secretary

	Type of Respondent
	Private capital
	Real estate company
	Rental property management
	Asset Management
	Nonprofit
X	Other: REALTORS® trade association

Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Department of Housing and Urban Development
451 17th Street, SW
Washington, DC 2041

RE: Request for Information, Enterprise/FHA REO Asset Disposition

Ladies and Gentlemen:

On behalf of the more than 160,000 members of the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.), I am writing to comment on the proposed Request for Information (RFI) on the disposition of Enterprise/FHA REO assets that was released on August 10, 2011 by the Federal Housing Finance Agency (FHFA), the Department of the Treasury (Treasury), and the

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Department of Housing and Urban Development (HUD). While C.A.R. understands the rationale and objectives of the RFI, we are opposed to bulk sales, regardless of the end use, as well as partnership with a third-party to rent these units.

For over 100 years C.A.R. has represented the real estate interests of our membership, which is comprised of real estate brokers and agents, property managers, appraisers, lenders, mortgage brokers, property investors, and small business owners. C.A.R. and its more than 160,000 members are advocates for homeownership, property rights, and what is in the best interest of the communities in which our members work and live.

C.A.R. is concerned that the FHFA, Treasury, and HUD have not appropriately looked at the current economic conditions of the real estate market throughout California where the utilization of bulk sales to expediently eliminate REO inventory is not necessary. The quickest way to remove California REO inventory from the Enterprise/FHA books is to not delay or withhold REOs from coming to market through the increased usage of individual brokers.

In the RFI Supplemental Data provided by FHFA, Treasury, and HUD, the MSAs of Los Angeles-Long Beach-Glendale and Riverside-San Bernardino-Ontario have the highest number of Enterprise/FHA REOs; a total of 5,039 as of July 18, 2011. According to C.A.R.'s numbers, the counties of Los Angeles, Orange, Riverside and San Bernardino could absorb more than 21,000 additional REO properties into their market before they reached their average long-run unsold inventory index. This is almost 16,000 more properties than the Enterprise/FHA REO properties in those areas combined. C.A.R. has attached a list of California counties showing the current inventory is far below the long term average in almost every county throughout the state.
If the FHFA, Treasury, and HUD wish to meet the objectives of the RFI in California, then continuing to use individual broker sales of their REO

properties is the most expeditious approach. The data is overwhelming that individual sales of REO properties garner more dollars per-unit than bulk sales. While the lure of expediting the removal of the non-performing asset from the Enterprise/FHA books and eliminating the carrying cost is enticing, the attached document shows that in California, REO time on market is the same and often shorter than a standard equity sale. In the vast majority of counties in California, homes are on the market for less than 60 days before being sold. This quick marketing time shows there is very little carrying cost of an REO in California.

Market conditions in California are such that we welcome additional inventory resulting from properties released from the Enterprises and FHA. In fact, California's housing market cannot fully recover until we have worked our way through the distressed properties inventory. Demand in California is exceeding the current supply of housing, and increasing the REOs brought to market will benefit not only the Enterprises and FHA, but California's recovery as well.

As stated above, states such as California, where inventory is relatively low and demand is high, have no need for bulk sales. It is clear from the RFI that certain approaches to bulk sales are better than others. If implemented, we suggest the following criteria: any bulk sale should be small in size, transparent, free of limitations on the end use of the properties, prohibit entities from benefiting off properties they have an existing or past relationship with, and allow market conditions to dictate the need for a bulk sale.
C.A.R. and its members strongly urge FHFA, Treasury and HUD to take every measure possible to allow local investors to participate in these sales. In order to prevent one interest from monopolizing properties in a community, it is important to keep the sales as small as possible. This would allow for more participation and typically a higher sales price.

Local investors are residents of the communities with a vested interest in seeing the local housing market recover. C.A.R. believes the sale range listed in the RFI of $50 million to $1 billion is far too large to encourage local participation that would meet the objective of "assist in neighborhood and home price stabilization efforts." C.A.R. suggests a starting point of $5 million to promote greater competition and a greater diversity of buyers. C.A.R. does not have a recommendation of a cap on how large these bulk sales should be, only that the FHFA, Treasury and HUD keep them to a size that realistically allows local investor participation in every area.

C.A.R. opposes the restriction that investors who purchase these properties must rent them out for any specified length of time. Preventing investors from utilizing the properties they purchase in the most efficient manner would be unproductive and inhibit economic growth and recovery in those communities. If demand for rental units is high, the properties will be used to meet that demand. If FHFA, Treasury, and HUD allow investors free reign to best utilize the properties to meet the needs of the community they will allow for a maximization of return for the investors, attract more participants in the program, and be able to reduce losses to the Enterprises and FHA by selling the REOs at higher prices.

C.A.R. is very concerned that the entities involved in the origination and servicing of a loan may benefit from this program and thus not take appropriate foreclosure mitigation steps prior to the property becoming an REO. Therefore, C.A.R. opposes allowing an entity that originated the property's Enterprise or FHA loan, originated or purchased a subordinate
loan on the property or serviced the loan on the property to bid on that specific property. Without this firewall, lenders and servicers would be incentivized to avoid short sales and loan modifications in hopes of acquiring the property at a

discount at a later date, while still collecting servicing fees throughout the process.

Lastly, C.A.R. opposes the approach of allowing Fannie Mae, Freddie Mac, and FHA to keep their REOs and partner with a third-party to rent them out. This would force the private market to directly compete with these government giants who would instantly become some of the largest landlords in their communities. While the current inventory of REOs in some areas may be small, C.A.R. is concerned about future REOs as the slow pace of the economic recovery continues. The RFI places no sunset date on any of these requirements, and over the next two to three years, the Enterprises and the FHA could grow to monopolize the rental markets in their communities.

In closing, C.A.R. would like to reiterate our opposition to bulk sales and encourage the Enterprises and the FHA to not withhold or delay the release of their REO inventory from California's housing market. California welcomes the additional inventory and the price stabilization that would result. C.A.R. and its members stand ready to assist the Enterprises and the FHA with the disposition of their REOs. C.A.R. appreciates FHFA, Treasury, and HUD for taking into consideration our comments on the RFI. If you would like to discuss these or any other issues related to the RFI, please do not hesitate to contact Matt Roberts, C.A.R. Federal Government Affairs Manager, at (213) 739-8284 or by email at matthewr@car.org.

Sincerely,

Beth L. Peerce
2011 President
CALIFORNIA ASSOCIATION OF REALTORS®