AGENDA

FEDERAL FINANCING & HOUSING POLICY COMMITTEE
National Association of Realtors®
2013 Midyear Meetings
Marriott Wardman Park
Thurgood Marshall Ballroom West, Mezzanine Level
Wednesday, May 15, 2013
10:00 AM - Noon

Chair: Kay Wirth, IL
Vice Chair: Julie DeLorenzo, ID
Committee Liaison: Bob Kulick, CA
Committee Executive: Megan Booth/Sarah Young

I. Call To Order
NAR Ownership Disclosure & Conflict of Interest Policy

II. Approval of 2012 Annual Meeting Minutes

III. Guest Speaker
A. Representative from FHA
B. Staff member from House Financial Services Committee

IV. Policy Discussion
A. FHA Risk-Sharing
The FHA mutual mortgage insurance fund is currently below its statutory minimum requirement and may, for the first time in FHA's history, draw funds from the Treasury to make up the difference. This shortfall has been building as FHA continues to work its way through its poorly performing book of business from 2007 to 2010. FHA's financial troubles have opened the door for critics of FHA and government involvement in the mortgage market to begin proposing reforms to the program that may drastically alter its market share and availability.

One change that has been proposed is to create a risk sharing program where a private mortgage insurance company (PMI) would guarantee a portion of a mortgage and FHA would guarantee the remaining amount (it is unclear which entity would be in a first-loss position). While there is no specific proposal, it may work similar to Fannie Mae and Freddie Mac where they are by statute only allowed to assume up to an 80 percent loan-to-value (LTV) on mortgage originations. Fannie and Freddie are able to make loans with LTVs above 80 percent by using private mortgage insurance companies which the homebuyer pays an insurance premium for.

This is not the only option being discussed. Other options would put the FHA in a first loss position, much the way the VA guarantees the first 25 percent of a mortgage. FHA may also look to the Fannie Mae/Freddie Mac developing risk sharing program that could sell the first-loss risk to the secondary market through securities such as bonds or synthetic products such as derivatives. It is also unknown if Congress will place a specific number on how much of FHA's lending must include risk sharing. The program would likely begin as a

small pilot program to determine the best mechanism for risk sharing, while also ascertaining the private market's appetite for such a product.

B. Disparate Impact
Does the Fair Housing Act prohibit policies and business practices which have a discriminatory effect but have no evidence that the policy or practice maker has a discriminatory intent?

The Fair Housing Act has long been interpreted by most Circuit Courts to also prohibit policies or practices which have a discriminatory effect even if they are facially neutral. The Circuit Courts, however, have not been consistent in how they determine which party in a case has the burden of proof as the case progresses. In 2010, the City of St. Paul, MN, appealed a case to the US Supreme Court who would have, for the first time, looked into the entire issue. In the meantime, HUD has proposed regulations which would set out the burden of proof in cases alleging discriminatory effects.

The NAR Diversity Committee is considering the following policy recommendation and is seeking the input and advice of the Institute of Real Estate Management, the National Association of Real Estate Brokers, the National Association of Hispanic Real Estate Professionals, the Asian Real Estate Association of America, and the NAR Federal Financing and Housing Policy Committee

1. NAR supports the principle that fair housing laws also must prohibit facially neutral policies that have the effect of denying equal housing opportunities on the basis of race, color, religion, sex handicap, familial status, sexual orientation or national origin.
2. NAR believes that in cases alleging that a policy or practice has a discriminatory effect, the party charged need only demonstrate a business purpose for that policy or practice.
3. NAR believes that once a charged party demonstrates a business purpose for the policy or practice alleged to have a discriminatory effect, the party alleging discrimination bears the burden of showing that there is a less discriminatory method to achieving the same business purpose.

V. Updates
A. Condo Working Group
The Committee had a discussion at the NAR November 2012 business meetings about the recent FHA condo rules, and the impact of the changes on the market. The Committee recommended that an informal working group be created to continue this discussion.

B. VA Google Hangout
VA Home Loan Program Director Mike Frueh conducted a Google Hangout to answer comments and questions about the VA Home Loan program.
http://benefits.va.gov/benefits

C. HUD REO Listing Agents

Members can learn about registering as a HUD REO listing agent at this link.

D. Legislative Outlook 2013

1. FHA

The FHA mutual mortgage insurance fund is currently below its statutory minimum requirement and may, for the first time in FHA's history, draw funds from the Treasury to make up the difference. This shortfall has been building as FHA continues to work its way through its poorly performing book of business from 2007 to 2010. FHA's financial troubles have opened the door for critics of FHA and government involvement in the mortgage market to begin proposing reforms to the program that may drastically alter its market share and availability.

2. Rural Housing Definition

There is significant concern that 900 communities will lose access to rural housing programs due to data from the 2010 census. RHS is currently operated under a 38 year old definition of "rural" - requiring communities to have not more than 20,000 residents and not part of a metropolitan statistical area (MSA). Since 1980, Congress has grandfathered existing communities and waived the MSA prohibition for communities with less than 10,000 people. NAR is working to ensure these communities are again grandfathered and that the definition of "rural" is updated. In the Senate, legislation has been passed as part of the Farm Bill to continue to grandfather existing communities. This legislation has yet to move forward in the House. However, the Rural Housing Service has issued a reprieve through March 27, 2013.

VI. Other Business

RPAC Challenge

VII. Adjournment