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CAI Chides Federal Housing Administration

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The Federal Housing Administration (FHA) needs to go back to the drawing board on the mortgage-approval guidance the agency issued June 30th. "It's clear from the guidance and the evidence presented that FHA has failed to undertake even the most basic due diligence," CAI said in a July 22 letter urging the Office of Information and Regulatory Affairs (OIRA) to require FHA to reexamine its guidance. Reconsideration of the guidance, CAI added, "would benefit consumers and would ensure FHA adheres to the spirit and intent" of requirements for federal regulatory action. OIRA is currently reviewing the FHA guidance.

CAI said the FHA guidance, as currently written, will make it much more difficult for condominium associations to meet FHA certification guidelines. In turn, that could prevent many potential buyers from obtaining FHA-backed loans to purchase homes in those communities. Said CAI Chief Executive Officer Thomas Skiba, CAE, "We hope OIRA will take whatever steps are necessary to ensure that FHA conducts a more thoughtful, thorough and transparent analysis."

Guidance Adds Confusion
to the Marketplace

With quasi-governmental lenders Fannie Mae and Freddie Mac recoiling from unprecedented mortgage-related losses, FHA is assuming a far greater role in the home-sales market, now standing behind at least 30 percent of new home mortgages. That makes FHA lending criteria especially critical, not only to individual homeowners and buyers, but also to any sustained recovery in the housing market. Despite that responsibility, CAI says FHA failed to identify and consider alternatives to direct regulation.

"This is a blatant lack of basic research that any government agency should conduct before drafting regulations," Skiba said. "To compound the problem, the agency failed to identify the most effective ways to achieve its own regulatory objectives. That's just unacceptable given the state of the housing market and the need for measures to stimulate a housing recovery."

CAI's letter to OIRA says FHA also failed to:

- * Harmonize federal regulatory actions with applicable state laws.
- * Tailor its regulations to impose the least burden on individuals and businesses.
- * Draft regulations that are clear and easy to understand, thus minimizing the potential for confusion and uncertainty.

"Many of these issues could have been avoided with greater transparency and collaboration on the part of FHA," said Andrew Fortin, CAI's vice president of government and public affairs. "For months, we've been providing information and perspective to FHA and urging greater communication between the agency and stakeholders in the housing market. It just hasn't happened, and now we see regulations that will pose unnecessary burdens on homeowners, homebuyers, condominium communities and association management companies. Americans

deserve better government than this. We need better government than this."

Fortin says CAI fully understands the need for lending criteria and why it's important to tighten approval for home loans. "But we also know that FHA has not done its homework," he says. "There is already confusion in the marketplace, and this guidance will only add to the confusion and frustration."

FHA's guidance letter addressed a number of issues. CAI took issue with mandates for fidelity insurance coverage, community association assessment delinquency criteria, project certification requirements and property deed restrictions.

In the meantime, you can follow CAI's work and share your thoughts at www.caimortgagematters.org. We will continue to monitor and participate in shaping the development of the FHA's condominium underwriting guidelines to ensure that the perspective of community associations is heard.

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