MORTGAGE BANKERS ASSOCIATION

November 7, 2016

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street S.W., Room 10276
Washington D.C. 20410-0500

RE: FR-5875-N-01, Single Family Mortgage Insurance: Revision of Section 203(k) Consultant Fee Schedule

Dear Regulations Division:

The Mortgage Bankers Association (MBA)[1] thanks the Department of Housing and Urban Development (HUD) for its efforts in maintaining the Federal Housing Administration's (FHA) Section 203(k) program for the rehabilitation and repair of single family properties and the Limited 203(k) program for property repairs and improvements. The 203(k) program has been critical for the expansion of community and neighborhood revitalization as well as homeownership opportunities for low-to-moderate income borrowers. MBA appreciates the opportunity to comment on FHA's revisions to the Section 203(k) Consultant Fee Schedule and welcomes the chance to contribute to the issuance of additional written guidance in the development of clear and consistent FHA policies to enhance the 203(k) program.

An FHA-approved 203(k) Consultant is required for all Standard 203(k) mortgages and may be used for all Limited 203(k) mortgages. 203(k) Consultants have a wide range of responsibilities related to 203(k) transactions. These responsibilities include conducting preliminary property inspections, developing work write-ups and cost estimates, detailing the work being performed based on project proposals, monitoring rehabilitation or repair progress, and conducting final property inspections for work completion, quality of workmanship, and conformity to local codes and ordinances. Subsequently, qualified Consultants with a significant amount of knowledge and experience are critical to a successful 203(k) program.

The 203(k) Consultant Fee Schedule has not been updated since 1995 resulting in stagnant fees that have not been adjusted for inflation. MBA appreciates FHA's consideration of industry concerns regarding its timely revision of 203(k) Consultant fees. Current restricted fees have minimized the number of qualified consultants who are willing to work on 203(k) loans. This has

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

subsequently resulted in increased turn-around times and delays to the loan process.

To remedy this, in line with HUD's proposal, MBA recommends that HUD allow Consultants to charge fees that are reasonable and customary in the market for similar work performed by professionals with similar qualifications. This will ensure a level playing field among Consultants and other comparable professions, such as appraisers and FHA fee inspectors who are already paid at the prevailing market rate, and will allow Consultants to receive sufficient compensation for their work. Market-based fees will also better accommodate for regional expense differences and provide more pricing latitude if market pricing varies in the future. MBA believes that a market pricing structure will not pose additional risk to HUD as existing safeguards such as the mortgage calculation provide protections for the borrower and HUD, while reliance on the market rate and regional differences will mandate reasonable fees. Further, if HUD were to require the use of a standardized Work Write-Up and Cost Estimate form, Consultants, lenders, and HUD would benefit from increased standardization, streamlined inspections, and decreased risks for both HUD and 203(k) lenders.

MBA also recommends that 203(k) Consultant fees be financeable. This would not only assist in delineating costs for the borrower, but ensure that the lender and borrower are able to maintain the necessary funds to cover all required costs throughout the project to successfully achieve the desired results. MBA suggests that these financeable fees remain uncapped to maintain the current fee flexibility based on variations in the market as HUD mandated financing caps would require monitoring and periodic adjustments by HUD.

Additionally, MBA recommends that HUD allow borrowers the option to finance the cost of a 203(k) Consultant on a Limited 203(k) transaction. Limited 203(k)'s often require borrowers to review project plans and costs themselves or to rely on their contractor to describe the project, materials, and labor. The option to finance a 203(k) Consultant would provide the FHA borrower with additional options to utilize the added value of a Consultant, who operates as a disinterested third party with the ability to provide the borrower, lender, and ultimately FHA with better security, control and review over the project.

MBA greatly appreciates the efforts HUD has put into developing and maintaining FHA's 203(k) program and urges HUD to consider the above recommendations. Should you have questions or wish to discuss these comments, please contact Tamara King, Vice President of Residential Policy and Member Engagement, at (202) 557-2758 or TKing@mba.org, or Katherine Tung, Policy Advisor of Residential Policy at (202) 557-2870 or KTung@mba.org.

Sincerely,

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