

August 11, 2009

The Honorable Dan Inouye
United States Senate
722 Hart Senate Office Building
Washington, D.C. 20510-1102

RE: GSE—Fannie/Freddie & HUD—FHA Restrictions on Condominium Lending

Aloha Senator Inouye:

With the high cost of real estate in Hawai'i, the majority of first-time homebuyers are limited to purchasing homes in condominium projects. When financing condominiums, lenders who sell mortgages to Fannie Mae and Freddie Mac have been forced to conform to high price adjustment schedules, such as adding a .75 basis point delivery fee to all condominium loans and a costly, more inclusive hazard insurance requirement such as "walls in" coverage at no less than 20% of the condominium's appraised value. These insurance guidelines have been developed based on national data and circumstances. It further requires that an additional fee of 1.75% be applied to investors. Both of these are applicable to loans with a loan-to-value ratio greater than 75%.

Hawai'i's condominium projects have a higher than average ratio of non-owner occupied units as the result of high rental demand. This affects the ratio of owner occupancy. Private mortgage insurance policies have increased presale requirements on condominium projects from 51% to 70%, which makes it almost impossible to get a condominium project approved. Requirements will force some new developments into bankruptcy because the 70% requirement will be hard to reach if buyers cannot get a loan. Furthermore, Fannie Mae will reject any mortgage for a condominium buyer if more than 15% of the owners are delinquent on their association fees.

The ability of lenders to quickly approve new projects has been hindered because of new policies which eliminate the limited project review or streamline review in Hawai'i, which results in fewer projects and the type of litigation that is permissible for a project review approval. In condominiums which qualify as "conforming" properties as defined by Fannie Mae and Freddie Mac, and since conforming properties as defined by Fannie Mae and Freddie Mac qualify for the lowest mortgage rates available, these restrictions effectively reduce the number of homes that Hawai'i borrowers can purchase.

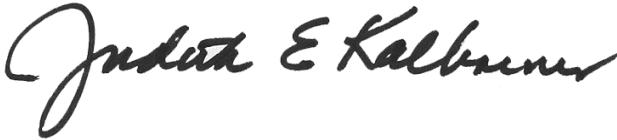
The Hawai'i Association of REALTORS® respectfully urges that federal programs, Fannie Mae, Freddie Mac and FHA, allow special reconsideration for pricing and policies exception for the Hawai'i real estate market and for first-time homebuyers with regard to loans delivered on Hawai'i condominiums.

Hawai'i's critical affordable housing shortage requires removal of any discriminatory barriers to mortgages so that purchasers are able to qualify and obtain mortgages. **Hawai'i has a unique real estate market, and has enacted condominium association regulations to ensure that projects have adequate financial reserves to properly maintain their premises.**

Thank you for your consideration. Should you have any questions or comments, do not hesitate to contact Myoung Oh at (808) 733-7060 ext. 104 or via email at moh@hawaiiirealtors.com.

Sincerely,

HAWAI'I ASSOCIATION OF REALTORS®



Judith E. Kalbrener
President