

April 21, 2010

The Honorable Barney Frank, Chair  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Spencer Bachus, Ranking Member  
House Committee on Financial Services  
B371-A Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

We write in strong support of H.R. 5072, FHA Reform Act of 2010. The role of the Federal Housing Administration (FHA) has never been more important than it is now. During this period of severe stress in the housing finance market, FHA is playing its intended countercyclical role, providing borrowers with access to prime credit. Moreover, the FHA has already taken aggressive steps to manage credit risk and it has appropriate discretion to take additional action as necessary.

On behalf of the organizations listed below, we urge you to assure the continued availability of FHA loan products by opposing further increases in FHA's downpayment requirement. Such a change to the program will only hamper our economic recovery and hurt millions of families who rely on FHA insurance to obtain safe, affordable mortgage financing.

Congress addressed this issue in 2008 with the passage of the Housing and Economic Recovery Act, which increased FHA's downpayment requirement from 3 percent to 3.5 percent. The current downpayment requirement represents a significant financial commitment and sufficient investment to insure a borrower's seriousness about homeownership. We strongly oppose any amendments to further raise the downpayment. Increasing FHA's downpayment to 5 percent would, according to the U.S. Department of Housing and Urban Development, reduce the volume of loans endorsed by FHA by more than 40 percent, while only contributing \$500 million in additional budget receipts (as opposed to the expected \$4.1 billion from the other announced changes to the program).

The proposed change could have an especially harsh impact on African-American and Hispanic borrowers, who traditionally have much lower accumulated wealth and have benefited from the opportunities that fully documented, standard FHA loans with low down payments offer. With FHA now accounting for more than one-half of all home loans to African-Americans, an amendment to increase downpayments further would have a serious adverse impact on these households and the communities in which they live. These communities were targeted by predatory lending practices during the height of the mortgage boom. They have suffered disproportionately from unsafe loans and shoddy practices. Foreclosing their access now to stable, fully documented loans with low down payments would exacerbate the crisis that is facing these communities, with little real benefit for FHA.

FHA is a critical part of our nation's economic recovery. Increasing the downpayment requirement will make homeownership more difficult for American families and disenfranchise more than 300,000 responsible homebuyers. This is not the time to make unnecessary steps to a program that is serving such a vital function in our housing finance system. We urge you to oppose any amendments to increase FHA's downpayment requirement.

Sincerely,

America's Mortgage Cooperative  
Asian Real Estate Association of America  
Center for Responsible Lending  
Consumer Federation of America  
Consumer Mortgage Lenders of America  
Manufactured Housing Institute  
National Association of Hispanic Real Estate Professionals  
National Association of Mortgage Brokers  
National Association of Real Estate Brokers

National Association of REALTORS®  
National Community Reinvestment Coalition  
National Consumer Law Center  
National Council of La Raza  
National Council of State Housing Agencies  
National Fair Housing Alliance  
National People's Association  
NeighborWorks  
U.S. Conference of Mayors

cc: Members, House Committee on Financial Services