

Provide a Safe and Affordable Path to Homeownership for American Families

Congressional Action Needed:

Congress needs to ensure that qualified borrowers have access to safe and affordable mortgage financing, that the 30-year fixed-rate mortgage be preserved, and that federal mortgage programs providing American families nationwide a path to homeownership be safeguarded.

Congressional Actions To Date:

- No legislation has been introduced in the 114th Congress that would significantly reform or change the structure of the Federal Housing Administration (FHA) mortgage insurance program. However, many in Congress remain concerned that FHA has not met its required excess reserves level, and would like to limit FHA to first-time/low income borrowers.
- Several members of Congress have proposed legislation to reform the secondary mortgage market. Though details on the ultimate impact on consumers' costs need to be examined, these bills attempt to protect the affordable 30-year fixed-rate mortgage, shield taxpayers from bailouts, and ensure the availability of mortgage capital in all markets and under all economic conditions.
- Last year, the PATH Act would have removed the government guarantee from the secondary mortgage market, thus jeopardizing the 30-year fixed-rate mortgage. It would have also dramatically restricted the mission of the FHA mortgage insurance program. Similar legislation may be introduced in this Congress.

What To Tell Your Representatives And Senators:

- FHA remains an important resource in mortgage markets nationwide. FHA continues to fulfill its mission of serving those who are not served by the private market. Many qualified credit-worthy borrowers remain shut out of the private mortgage market, either due to high mortgage costs or unnecessarily high credit standards.
- NAR strongly believes that reform of the nation's housing finance system is required, as the current conservatorship of Fannie Mae and Freddie Mac is unsustainable. However, reform must create a viable replacement for the entities and include a government guarantee to ensure that qualified borrowers can access affordable mortgages.

Issue Background:

While mortgage markets are improving, access to safe, affordable credit remains very tight. Millions of creditworthy families remain unable to obtain their part of the American dream.

FHA Was a Critical Factor That Helped Move the Nation Out of the Great Recession

- During the crisis, FHA was one of the primary sources of mortgage financing available to American families.
- FHA helped stabilize housing prices in thousands of communities by providing access to home financing when few others would.
- FHA has been a leader in providing low-downpayment, safe, affordable mortgages for qualified buyers.
- Changing its mission would have a very negative impact in nearly every real estate market nationwide.

Housing Finance Reform is Critical to Moving Forward

- The government's support of Fannie Mae and Freddie Mac has played a key role in the secondary mortgage market, which is crucial in providing capital for mortgage lending.
- Without a secondary market and FHA-insured loans, which currently constitute nearly 83 percent of the market, there would be almost no capital available for mortgage lending.
- It is imperative that the private mortgage market has a viable replacement and a sufficient transition period before the existing secondary market is eliminated. Without a secondary market, home sales and any supporting ancillary home sales services would be severely restricted, if not curtailed.

Opposing Viewpoints:

- Critics argue that Fannie Mae's, Freddie Mac's, and FHA's prominence in the market have pushed private investors out of the market, leaving the federal government as the sole source of mortgage financing. In response, supporters argue that the private market is not meeting the needs of borrowers.
- These critics maintain that the mission and role of FHA should be strictly limited to lower income and first-time homebuyer households. Lastly, critics argue that FHA's downpayment requirements are too low and should be risk-based to protect taxpayers. Supporters say that strong underwriting and ability to pay are the most important considerations.
- Opponents believe the government should not be involved in the mortgage market. Rather, they believe free market competition will provide better pricing and access to credit for consumers and businesses. However, supporters say that without a government guarantee, the 30-year fixed-rate mortgage will not be available.