



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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Dear Representative:

On behalf of the more than one million members of the NATIONAL ASSOCIATION OF REALTORS®, I am writing to ask your support of H.R. 5121, the “Expanding American Homeownership Act of 2006.” This legislation will help facilitate the dream of homeownership for many deserving families.

FHA’s single-family mortgage insurance program is a valuable government program that has helped low-, moderate-, and middle-income people achieve the dream of homeownership. FHA’s market share has dwindled because its loan limits, inflexible downpayment requirement, and fee structure have not kept pace with the current mortgage marketplace. As a result, a growing number of homebuyers are turning to one of several new types of specialty mortgages that let them “stretch” their income to qualify for a loan. These pose severe risk burdens to consumers who may be encounter difficulties regarding their ability to afford the mortgage payment in the future.

For many of these potential homebuyers, FHA can play a major role in meeting their homeownership aspirations without adverse consequences. A number of recent studies have shown that minorities are more likely to receive higher-priced and risky loan products than white borrowers, even after accounting for risk. If revitalized, FHA can help bridge the gap in minority homeownership and provide alternative options that help fight against predatory or discriminatory loans.

To meet this important objective, H.R. 5121 would eliminate the statutory 3 percent minimum cash investment and downpayment calculation, allow for extended loan terms from 30 to 40 years, allow FHA flexibility to provide risk-based pricing, move the condo program into the 203(b) fund, and increase the loan limits. The National Association of REALTORS® strongly supports these reform provisions.

The NATIONAL ASSOCIATION OF REALTORS® applauds the private sector for the recent development of innovative and affordable housing products that are providing housing opportunities for many deserving families. However, not all needs are being met, and some homeowners may not be in a loan that is appropriate for them. FHA is a safe product at a fair price. We need reforms to the program that make FHA a viable mortgage product for today’s homebuyers. We urge your vote in favor of H.R. 5121, to ensure all homeowners are afforded the true dream of homeownership.

Sincerely,

Thomas M. Stevens, CRB, CRS, GRI
2006 President, National Association of REALTORS®