



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 you to cosponsor H.R. 5121, the "Expanding Homeownership Act of 2006". NAR supports H.R. 5121 which 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 proved highly beneficial in helping low-, moderate-, and middle-income people achieve the dream of homeownership. FHA insurance is available to individuals regardless of their racial, ethnic or social characteristics and its universal availability helps stabilize housing markets when private mortgage insurance is nonexistent or regional economies encounter disruptions.

However, FHA's market share has been dropping in recent years. In the 1990s FHA loans were about 12% of the market. Today, that rate is closer to 3%. As the market has changed, FHA must also change to reflect consumer needs and demands. Conventional and sub-prime lenders have been expanding their products and offering more types of loans to more types of borrowers. However, not all of these loans are in the best interest of the borrower. The National Association of REALTORS® believes that the FHA program can be empowered with tools to close the minority homeownership gap and keep homebuyers from risky loan products currently being marketed to them.

H.R. 5121 will reinvigorate the FHA program providing less risky options for borrowers. It will:

- **Eliminate the statutory 3% minimum downpayment requirement.** The ability to afford the downpayment and settlement costs remain the most challenging hurdle for many homebuyers. Eliminating this requirement will provide FHA flexibility to offer varying downpayment terms to different borrowers.
- **Provide Risk-based Pricing for FHA loans.** Providing risk-based pricing will allow the FHA to differentiate price depending on the qualifications of the borrower. This could result in lower fees for some participants, and will realign FHA's ability to compete and percentage of market share to traditional levels.
- **Increase the mortgage term up to 40 years.** The term of a mortgage insured under the FHA single-family mortgage insurance program has traditionally been 30 years. Increasing the term up to 40 years would reduce the monthly mortgage payment, enable more households to qualify for a mortgage, and increase homeownership.
- **Increase the FHA loan limits nationwide.** FHA is not a useful product in many areas of the country because its mortgage limits have lagged far behind the median home price in many communities. The legislation would increase FHA's limits for homes in high cost areas from \$362,790 to the 2006 conforming loan limit of \$417,000. In non-high cost areas, the FHA limit (floor) would increase from \$200,160 to \$271,050 for single unit homes.

In today's market, interest rates are low, home prices are rising, and lenders have expanded their pool of tools to offer borrowers. However, many borrowers are being enticed by "specialty" mortgages which can pose severe risk burdens to consumers who may be unable to afford the increased mortgage payment in the future. If FHA is enhanced to conform to today's mortgage environment, many borrowers would have a viable alternative to these risky products. We urge you to cosponsor H.R. 5121 to make the American Dream a reality for families nationwide.

Sincerely,

Jerry Giovaniello
Sr. Vice President, Government Affairs
National Association of REALTORS®

