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June 4, 2019

The Honorable Dean Phillips  
U.S. House of Representatives  
1305 Longworth House Office Building  
Washington, DC 20515

Dear Representative Phillips:

The 1.3 million members of the National Association of REALTORS® strongly support the “Making FHA More Affordable Act of 2019.” This legislation would provide FHA borrowers equal treatment as conventional borrowers with respect to cancelling mortgage insurance.

FHA occupies a critical role in the nation’s housing finance system, driven by its mission to ensure access to mortgage credit is available to all Americans. Specifically, its work centers around groups that have traditionally been underserved by the private market, including low to moderate-income, minority, and first-time homebuyers. However, FHA’s policy of requiring mortgage insurance places a significant and unnecessary burden on these homebuyers and often serves to encourage less risky borrowers to refinance out of their FHA loan, adding risk to the remaining portfolio.

Once a borrower reaches 78 percent LTV, there is sufficient equity in that home that even if the homeowner eventually defaults the value of the home, in combination with the premiums paid in advance, will cover any losses to the MMIF. Congress understood this principle and enacted the Homeowners’ Protection Act in 1999, which requires lenders to automatically cancel private mortgage insurance for borrowers who achieve sufficient equity. Why should FHA borrowers be denied the same relief from excess insurance?

Eliminating the life of loan requirement will reduce borrowers’ monthly payments, providing them with additional cash on hand so they can better withstand economic shocks and thereby reduce defaults. In the interest of strengthening FHA’s financial footing, we support this legislation and its requirement that the FHA reinstate cancellation of annual mortgage insurance premiums for all borrowers that reach 78 percent LTV.

Sincerely,

John Smaby  
2019 President, National Association of REALTORS®



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