



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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September 14, 2007

United States Senate  
Committee on Banking, Housing & Urban Affairs

Dear Senator:

On behalf of the 1.3 million members of the National Association of REALTORS®, I urge your support of Federal Housing Administration (FHA) reform when legislation is debated in the Banking Committee next week. Unlike many of the loan products that underlie the current housing market instability, FHA products are safe as a result of appropriate underwriting and loss-mitigation programs and affordably priced without resorting to teaser rates or negative amortization. But without reform, FHA loans remains unavailable to many homebuyers or those current homeowners needing to refinance.

In many markets, the FHA loan limits are far too low for home purchases. The legislation under consideration would raise the loan limits – not just in high cost states, but nationwide. This increase will enhance FHA's ability to assist homebuyers in high cost areas, including areas not defined as high-cost even though home prices still exceed the current maximum of \$200,160. This includes states such as Arizona, Colorado, Florida, Georgia, Illinois, Maine, Minnesota, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, and Washington. While none of these states is generally considered "high cost", all have median home prices higher than the current FHA loan limit.

In addition, many American homeowners in these higher cost markets that are now saddled with dramatic future increases in their mortgage payments and facing the risk of foreclosure do not have a viable affordable alternative to avoid defaults or foreclosure. A reformed FHA program would make it possible for these higher-risk, yet credit-worthy borrowers to get prime financing. FHA is a leader in preventing foreclosures. From the start, FHA loans are appropriately underwritten by approved lenders, offer no prepayment penalties or teaser rates. When a borrower does start to get into trouble, FHA has strong proven methods to help families avoid foreclosure. In the year 2004 alone, more than 78,000 borrowers were able to retain their home through FHA's loss mitigation program; and two years later, nearly 90 percent of these borrowers were still in their homes. By encouraging lenders to participate in these loss mitigation efforts and penalizing those who don't, FHA has successfully helped homeowners keep their homes and reduced the level of losses to the FHA fund.

Reforming the FHA loan program will provide a safe, viable mortgage alternative to those needing to refinance or purchase a home. Last month, President Bush joined in a bipartisan chorus urging Congress to pass FHA reform legislation that would "help more homeowners qualify for this insurance by lowering down-payment requirements, by increasing loan limits and providing more flexibility in pricing. These reforms would allow the FHA to reach families that need help, those with low incomes and less-than-perfect credit records or little savings." We couldn't agree more.

FHA Reform is needed now, more than ever. We urge you to favorably report this bill and move it to the floor for immediate consideration.

Thank you,

Pat V. Combs, ABR, CRS, GRI, PMN  
2007 President, National Association of REALTORS®

