

April 21, 2010

The Honorable Barney Frank, Chair
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Spencer Bachus, Ranking Member
House Committee on Financial Services
B371-A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

The role of the Federal Housing Administration (FHA) has never been more important than it is now. During this period of severe stress in the housing finance market, FHA is playing its intended countercyclical role, providing borrowers with access to prime credit. On behalf of the organizations listed below, we urge you to assure the continued availability of FHA loan products by opposing further increases in FHA's downpayment requirement. Such a change to the program will only hamper our economic recovery and hurt millions of families who rely on FHA insurance to obtain safe, affordable mortgage financing.

Congress addressed this issue in 2008 with the passage of the Housing and Economic Recovery Act, which increased FHA's downpayment requirement from 3 percent to 3.5 percent. The current downpayment requirement represents a significant financial commitment and sufficient investment to insure a borrower's seriousness about homeownership. We strongly oppose any amendments to further raise the downpayment. Increasing FHA's downpayment to 5 percent would, according to the U.S. Department of Housing and Urban Development, reduce the volume of loans endorsed by FHA by more than 40 percent, while only contributing \$500 million in additional budget receipts (as opposed to the expected \$4.1 billion from the other announced changes to the program).

FHA is a critical part of our nation's economic recovery. Increasing the downpayment requirement will make homeownership more difficult for American families and disenfranchise more than 300,000 responsible homebuyers. This is not the time to make unnecessary steps to a program that is serving such a vital function in our housing finance system. We urge you to oppose any amendments to increase FHA's downpayment requirement.

Sincerely,

Mortgage Bankers Association of America
National Association of Home Builders
National Association of REALTORS®

cc: Members, House Committee on Financial Services