

June 7, 2010

Dear Representative:

We write in strong support of H.R. 5072, FHA Reform Act of 2010, scheduled for consideration by the House this week. The Federal Housing Administration (FHA) is playing its intended countercyclical role, providing borrowers with access to prime credit. Moreover, the FHA has already taken aggressive steps to manage credit risk and it has appropriate discretion to take additional action as necessary. H.R. 5072 provides the necessary tools to insure the financial stability of FHA and to protect taxpayers from risk.

We strongly oppose any amendments to further raise the FHA-required downpayment. 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. 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).

The proposed change could have an especially harsh impact on African-American and Hispanic borrowers, who traditionally have much lower accumulated wealth and have benefited from the opportunities that fully documented, standard FHA loans with low down payments offer.

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,

Center for Responsible Lending
Consumer Federation of America
National Association of Consumer Advocates
National Association of Realtors®
National Council of La Raza
National Fair Housing Alliance