

June 9, 2010

The Honorable Barney Frank
Chair, House Committee on Financial Services
2252 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Frank:

The Federal Housing Administration's mortgage insurance program has never been more important to our housing markets than it is today. During this period of prolonged stress in our markets, Congress should avoid making any program changes that would further harm consumers and stall our economic recovery. The organizations listed below strongly oppose amendments to H.R. 5072, the FHA Reform Act, which would increase FHA's downpayment requirement, decrease FHA's loan limits, or otherwise limit FHA's ability to insure loans.

Raising FHA's downpayment requirement will do little to strengthen FHA's capital reserve ratio. Rather, it will put homeownership out of reach for many families and for others could deplete their cash reserves for home and other emergencies. Increasing FHA's downpayment could disenfranchise more than 300,000 responsible homeowners. We strongly oppose this amendment offered by Rep. Garrett (R-NJ).

We also oppose an amendment offered by Rep. Price (R-GA) that would limit FHA's market share to 10 percent of the housing finance market. We all welcome the return of private lending and corresponding reduction in FHA's market share, as that will indicate a return to a healthy housing market. But today, FHA is appropriately serving its countercyclical role of providing credit and needed liquidity when the private market is not available to many homebuyers. Legislating an arbitrary reduction in market share in the midst of a housing downturn will have a negative impact on homeownership. We strongly oppose this amendment which will dramatically harm our nation's economic recovery.

Lastly, we ask you to oppose an amendment by Rep. Turner (R-OH) that would reduce the FHA loan limits. FHA's loan limits were temporarily increased in the Economic Stimulus Act of 2008. These higher limits allow American families in communities nationwide to obtain safe, affordable mortgage financing. Decreasing these limits would have a significant impact on the recovery of many housing markets and the overall liquidity of the mortgage industry. Today the private market for loans above the existing limits is small. Reducing the FHA limits will paralyze home sales above the cap, and hurt our housing recovery.

FHA is a critical part of our housing economy. Its programs offer borrowers access to prime-rate mortgages, require stringent underwriting, and will not insure a loan with a loan-to-value greater than 96.5 percent. We urge you to oppose these amendments that will only hamper this important program.

Sincerely,

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