

NAR Issue Summary

Housing / Lender Reluctance to Use FHA

NAR Committee:

Federal Financing and Housing Policy Committee

What is the fundamental issue?

In recent years, as enforcement has increased, some lenders have begun to shy away from writing FHA loans. FHA recently published a revised lender certification rule to ensure lenders are protecting homebuyers and upholding FHA lending practices. This included a requirement for a pre-endorsement review of all loans in which no errors were committed that would render the loan ineligible for FHA insurance. In addition, FHA and the Department of Justice have filed a number of high profile lawsuits with lenders for underwriting violations of FHA. Lenders are concerned that the standards for error correction increase their liability for more FHA related lawsuits and government penalties in the future. As a result of these concerns, JPMorgan Chase publically announced they would stop writing FHA loans. A number of other lenders have increased requirements for FHA borrowers.

I am a real estate professional. What does this mean for my business?

FHA is an important tool, especially for first-time buyers. Lack of access to FHA could hurt mortgage financing options for buyers.

NAR Policy:

NAR supports FHA regulations that protect borrowers without being unduly burdensome.

Opposition Arguments:

FHA believes the current FHA lender certification requirements are necessary to protect the consumer and prevent fraud on behalf of the lenders.

Legislative/Regulatory Status/Outlook

FHA released a new lender defect taxonomy in June of 2015, and the new lender handbook became effective in September. Since then several major lenders have expressed disinterest in participating in the FHA mortgage insurance program. However, a number of smaller lenders have come in to fill the gap. FHA mortgage insurance has actually grown as a part of the share of the mortgage market in FY 2015.



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Current Legislation/Regulation (bill number or regulation)

None at this time.

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