

NAR Issue Summaries

Housing / FHA Programs (Federal Housing Administration)

NAR Committee:

Federal Financing and Housing Policy Committee

What is the fundamental issue?

The financial health of the Federal Housing Administration (FHA) Mutual Mortgage Insurance fund (MMI) continues to strengthen. FHA has made efforts to tighten credit standards, improve loss mitigation and eliminate programs such as the Seller Funded Downpayment Assistance Program. As a result, FHA is seeing higher quality books of business and improved delinquency and recovery rates.

The FY 2020 Actuarial Review of the MMI fund shows that it once again exceeded the congressionally required 2 percent capital reserve ratio, reaching 6.1 percent, the highest level since 2007.

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

With the collapse of the private mortgage market, the importance of the Federal Housing Administration (FHA) has never been more apparent. FHA needs to serve its role to fill the gap and make mortgage insurance available to qualified homebuyers in all economic times.

NAR Policy:

NAR is a strong supporter of the single- and multi-family programs administered by the Federal Housing Administration (FHA). FHA is critical to our nation's housing and economic recovery, and care must be taken to not hamper FHA's ability to facilitate safe, affordable mortgage financing to American families.

During the Great Recession, FHA-insured financing was often the only product available. Moody's analytics has reported that without FHA, housing prices would have dropped an additional 25 percent, and American families would have lost more than \$3 trillion in home wealth.

For more information, visit www.realtor.org/fha.

Opposition Arguments:

Opponents of NAR policy believe that the FHA mortgage insurance program is crowding out the return of the private market. They believe government involvement in the mortgage market should be limited and targeted to only certain individuals.

Legislative/Regulatory Status/Outlook

FHA remains financially viable and a critical part of our nation's economic recovery. Efforts must be taken to ensure FHA's ability to facilitate safe, affordable mortgage financing to American families.

NAR continues to call for an elimination in the lifetime mortgage insurance premium and a reduction of the mortgage premiums. FHA's current policy to maintain lifetime annual mortgage insurance premiums for loans with over 90 percent LTV at origination penalizes any homebuyer without the means to put down a larger down payment. This goes against the core of FHA's mission, to provide fair homeownership opportunities to worthy borrowers who are overlooked by conventional lenders. FHA should eliminate this requirement. We believe the health of the FHA fund is such that a further reduction is warranted.

Current Legislation/Regulation (bill number or regulation)

n/a

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