



GOVERNMENT AFFAIRS

Joseph M. Stanton
Chief Lobbyist

September 11, 2008

The Honorable Al Green
United States House of Representatives
425 Cannon House Office Building
Washington, DC 20515

Dear Representative Green:

On behalf of the 235,000 members of the National Association of Home Builders (NAHB), I am writing to express the home building industry's strong support for H.R. 6694, the FHA Seller-Financed Downpayment Reform and Risk-Based Pricing Authorization Act of 2008. By restructuring seller-funded downpayment assistance, H.R. 6694 would allow this critical homeownership program to continue past the current expiration date of October 1, 2008.

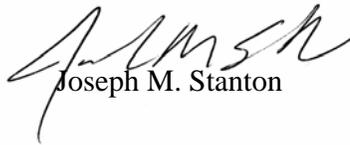
H.R. 6694 also contains a provision important to NAHB; the removal of the current 12-month moratorium on risk-based mortgage insurance premiums. NAHB supports this provision and believes the authority to set insurance premiums that are commensurate with credit risk, while retaining the principle of actuarial soundness, would open the FHA program to the growing ranks of potential home buyers who currently are shut out of the mortgage market by a tightening of qualification criteria.

For nearly a decade, regulations and policies of the Department of Housing and Urban Development (HUD) have permitted qualified charitable organizations to provide "gifts" to pay all or part of purchasers' required cash contributions toward home purchases when using FHA-insured mortgage loans, regardless of the ultimate sources of the funds for these gifts. A number of NAHB builder members have participated in downpayment assistance programs to provide homeownership opportunities to buyers using FHA-insured mortgages. It is typical for builders to provide downpayment assistance as one of a variety of sales incentives for new home purchases, particularly for entry-level home buyers.

Studies continue to show that lack of a downpayment is a major, if not the primary, obstacle to homeownership. A number of federal and state programs have been established to help first-time home buyers clear this imposing hurdle. While these programs have been effective, their capacity is severely limited in comparison to the need for such assistance. This gap has been partially filled by seller-funded downpayment assistance programs. A sudden shutdown of this supplementary source of assistance would have a devastating impact on efforts to provide homeownership opportunities. It also would have an adverse impact on FHA's role in support of homeownership.

Home builders have a strong interest in, and commitment to, the communities in which they build and, therefore, take a long-term view of their home sales transactions. It is not in a builder's interest to have a recently-sold home return to the market through foreclosure. That is why NAHB is committed to finding a ways to continue seller-funded downpayment assistance in a manner that is in the best interest of home buyers, builders and the solvency of the FHA mortgage insurance fund. NAHB strongly believes that H.R. 6694 accomplishes this goal.

Sincerely,



Joseph M. Stanton

Cc: House Financial Services Committee



GOVERNMENT AFFAIRS

Joseph M. Stanton
Chief Lobbyist

July 10, 2008

The Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives

The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
United States House of Representatives

Dear Chairman Frank and Ranking Member Bachus:

I am writing on behalf of the 235,000 members of the National Association of Home Builders (NAHB) to urge you to strike a provision currently included in the Senate Substitute to the House's amendments to H.R. 3221, the *American Housing Rescue and Foreclosure Prevention Act*, that would ban seller-funded downpayments in conjunction with Federal Housing Administration (FHA)-insured loans and to insert the provision in Section 205 of the House-passed version of this bill, which would permit "qualified homeownership assistance entities" to continue to facilitate home purchases.

Section 2113 of the Senate's version of H.R. 3221 would prohibit seller-provided downpayment assistance for a home purchase financed with a FHA-insured mortgage loan. Under this bill, sellers could not provide funds for a buyer's downpayment, either directly or through a third party.

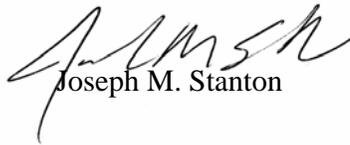
NAHB believes that sellers should be permitted to provide downpayment assistance to buyers under appropriate circumstances that would include prudent credit analysis and underwriting and adequate home buyer information and counseling. NAHB is concerned that an outright prohibition on seller downpayment contributions would unnecessarily impede efforts to improve homeownership opportunities. Thus, NAHB opposes an absolute prohibition of seller-provided downpayment assistance.

For nearly a decade, regulations and policies of the Department of Housing and Urban Development (HUD) have permitted qualified charitable organizations to provide "gifts" to pay all or part of purchasers' required cash contributions toward home purchases when using FHA-insured mortgage loans, regardless of the ultimate sources of the funds for these gifts. During this time, thousands of home purchase transactions have been assisted by gifts and, the majority of the resulting loans have performed according to the terms of the mortgage.

A number of NAHB builder members have participated in downpayment assistance programs to provide homeownership opportunities to buyers using FHA-insured mortgages. It is typical for builders to provide downpayment assistance as one of a variety of sales incentives for new home purchases, particularly for entry-level homes.

Home builders have a strong interest in, and commitment to, the communities in which they build and, therefore, take a long-term view of their home sales transactions. It is not in a builder's interest to have a recently-sold home return to the market through foreclosure. That is why NAHB is committed to finding a ways to continue seller-funded downpayment assistance in a manner that is in the best interest of home buyers, builders and the solvency of the FHA mortgage insurance fund. NAHB strongly believes that H.R. 6694 accomplishes this goal.

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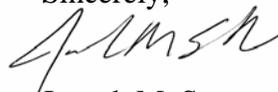
Studies continue to show that lack of a downpayment is a major, if not primary, obstacle to homeownership. A number of federal and state programs have been established to help first-time home buyers clear this imposing hurdle. While these programs have been effective, their capacity is severely limited in comparison to the need for such assistance. This gap has been partially filled by seller-assisted downpayment programs. A sudden shutdown of this supplementary source of assistance would have a devastating impact on efforts to provide homeownership opportunities. It would also have a serious adverse impact on FHA's role in support of homeownership.

Home builders have a strong interest in, and commitment to, the communities in which they build and, therefore, take a long-term view of their home sales transactions. It is certainly not in a builder's interest to have a recently sold home to return to the market through foreclosure. That is why NAHB is committed to finding a ways to continue seller provided downpayment assistance in a manner that is in the best interest of home buyers, builders and the FHA.

As you are aware, HUD has proposed and re-proposed rules which, if enacted, would prohibit seller assistance with downpayments in conjunction with FHA-insured mortgage loans. In its comment letter to HUD dated July 10, 2007, NAHB urged HUD to institute reforms in lieu of a complete prohibition of seller-provided downpayment assistance. Such reforms should include requirements of pre- and post-purchase counseling for FHA borrowers whose transactions will be seller-assisted; inclusion of seller assistance for home buyers' downpayments under the six percent limit currently imposed on seller financing concessions in FHA-insured transactions; and, stronger appraisal and underwriting standards and oversight for loans with seller-assisted downpayments. Appraisal criteria should require comparison of the price on homes with downpayment assistance to prices on similar homes without such assistance. In addition, borrowers should receive full disclosure and information on all of the features of their mortgage.

NAHB believes that steps can be taken as outlined above to improve the effectiveness of seller-assisted downpayment programs and strongly urges you to remove Section 2113 of the Senate Substitute and to insert the provision in Section 205 of the House-passed version of H.R. 3221 before final passage in the House. Thank you for consideration of our views.

Sincerely,



Joseph M. Stanton



GOVERNMENT AFFAIRS

Joseph M. Stanton
Chief Lobbyist

July 10, 2008

The Honorable Christopher J. Dodd
Chairman
Banking, Housing and Urban Affairs
Committee
United States Senate

The Honorable Richard C. Shelby
Ranking Member
Banking, Housing and Urban Affairs
Committee
United States Senate

Dear Senator Dodd and Senator Shelby:

I am writing on behalf of the 235,000 members of the National Association of Home Builders (NAHB) to urge you to strike a provision currently included in the Senate Substitute to the House amendments to H.R. 3221, the *American Housing Rescue and Foreclosure Prevention Act*, that would ban seller-funded downpayments in conjunction with Federal Housing Administration (FHA)-insured loans.

Section 2113 of the Senate Substitute would prohibit seller-provided downpayment assistance for a home purchase financed with an FHA-insured mortgage loan. Under this provision, sellers could not provide funds for a buyer's downpayment, either directly or through a third party.

NAHB believes that sellers should be permitted to provide downpayment assistance to buyers under appropriate circumstances that would include prudent credit analysis and underwriting and adequate home buyer information and counseling. NAHB is concerned that an outright prohibition on seller downpayment contributions would unnecessarily impede efforts to improve homeownership opportunities. Thus, NAHB urges the Senate to refrain from an absolute prohibition of seller-provided downpayment assistance.

For nearly a decade, regulations and policies of the Department of Housing and Urban Development (HUD) have permitted qualified charitable organizations to provide "gifts" to pay all or part of purchasers' required cash contributions toward home purchases when using FHA-insured mortgage loans, regardless of the ultimate sources of the funds for these gifts. During this time, thousands of home purchase transactions have been assisted by gifts and the majority of the resulting loans have performed according to the terms of the mortgage.

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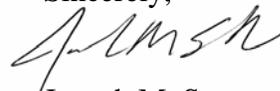
Studies continue to show that lack of a downpayment is a major, if not primary, obstacle to homeownership. A number of federal and state programs have been established to help first-time home buyers clear this imposing hurdle. While these programs have been effective, their capacity is severely limited in comparison to the need for such assistance. This gap has been partially filled by seller-assisted downpayment programs. A sudden shutdown of this supplementary source of assistance would have a devastating impact on efforts to provide homeownership opportunities. It would also have a serious adverse impact on FHA's role in support of homeownership.

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NAHB believes that steps can be taken as outlined above to improve the effectiveness of seller-assisted downpayment programs and strongly urges you to remove Section 2113 before final passage in the Senate. Thank you for consideration of our views.

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