



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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September 15, 2008

Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Representative:

On behalf of the 1.2 million members of the National Association of REALTORS®, thank you for holding this markup today of H.R. 6694, the “FHA Seller-Financed Downpayment Reform and Risk-Based Pricing Authorization Act of 2008”, sponsored by Rep. Al Green (D-TX) and Rep. Gary Miller (R-CA). This bill will provide downpayment assistance options for FHA borrowers, while providing safeguards for the FHA fund.

The National Association of REALTORS® strongly supports downpayment assistance programs. The ability to afford the downpayment and settlement costs associated with buying a home remains the most challenging hurdle for many homebuyers. Providing homebuyers with this kind of assistance can be a paramount factor in determining their ability to purchase a home.

NAR understands the concerns of critics of seller-funded downpayment assistance programs that these programs foster home price inflation, increased delinquency and foreclosure risks, and potential negative impacts to the FHA Fund and taxpayers. FHA has attempted to prohibit these programs for several years, because of the “severity of individual claims on the FHA Insurance Fund and FHA losses on claims paid on such mortgages.” HUD data shows that in FY2007, these types of loans had a 28% default rate. High default rates don't help homeowners, FHA, or future homebuyers who will have to pay higher premiums to sustain FHA's losses.

Given these problems, NAR supports the reforms being advocated by Reps. Green and Miller in H.R.6694. Their reforms will mitigate the risk to the FHA Fund by limiting such programs to less risky borrowers, and requiring those who do pose a greater risk, to pay a higher premium. REALTORS® also believe that borrowers who participate in these programs need to be fully informed of costs and benefits of homeownership. We therefore ask that borrowers who participate in seller-funded downpayment assistance programs be required to receive homeownership counseling, prior to purchasing a home.

Thank you again for moving this important issue forward. We stand ready to work with you to make these reforms law.

Sincerely,

Richard F. Gaylord, CIPS, CRB, CRS, GRI  
2008 President, National Association of REALTORS®