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August 26, 2008

The Honorable Steve Preston
Secretary of Housing and Urban Development
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Mr. Secretary Preston:

As you know, the "Housing and Economic Recovery Act of 2008" (P.L. 110-289), comes into effect on October 1, 2008. One of the major provisions of the bill requires that borrowers contribute at least 3.5% in cash or its equivalent to the cost of acquiring a property with a Federal Housing Administration (FHA)-insured mortgage; and that none of the down payment funding can be provided by a seller or any entity that financially benefits from the transaction, or any third party that is directly or indirectly reimbursed by the seller or by anyone that would financially benefit from the transaction.

According to HUD's own estimates as much as 50 percent of FHA's purchase mortgage business in Indiana is for borrowers who rely on nonprofit seller-funded Down Payment Assistance (DPA) gifts. As you might imagine, the thousands of Hoosiers families who are currently relying on these programs to help them purchase a house are extremely worried about suddenly losing their down payment money. For many families the loss of these funds will likely mean having to default on their pending housing contracts; a lose-lose situation for homebuyers, creditors, realtors and builders. It seems to me that this type of cold turkey policy may be especially misguided when Americans are struggling with high gasoline prices, rising grocery bills, a sluggish housing market, a shrinking credit market, rising fears of unemployment, and growing concerns about inflation.

The intent of the "Housing and Economic Recovery Act" is to help Americans weather the current storm in the housing markets and stay in their homes. However, based upon the information I have seen, the sudden elimination of seller-financed DPA programs is likely to have the opposite effect. Under the circumstances it seems to me consistent with Congressional intent that a reasonable grace period be established to allow current pending mortgage applications with a seller-financed DPA component to close even if the perspective closing date is after October 1, 2008. Therefore, on behalf of my Hoosier constituents I am writing to respectfully ask the Department of Housing

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and Urban Development (HUD) to clarify its intent with regard to the pending elimination of seller-financed DPA programs. Specifically, I am asking HUD to issue clear guidance to lenders and mortgage originators that: 1) stipulates that lenders have a grace period of 6-month to complete FHA mortgage transactions tied to a seller-financed DPA program in the pipeline after October 1, 2008; and 2) stipulates the extent to which a FHA mortgage application tied to a seller-financed DPA must be complete in order for HUD to consider it to be in the pipeline before October 1, 2008.

Mr. Secretary as time is short I respectfully request a written response detailing HUD's thinking on this matter no later than close of business Wednesday, September 10, 2008. If you have any questions or need additional information from my office please feel free to contact my Deputy Chief of Staff, Rick Wilson, in my Indianapolis Office at (317) 848-0201.

I thank you for your personal time and attention to this urgent matter.

Sincerely,

A handwritten signature in blue ink that reads "Dan Burton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dan Burton
Member of Congress