



**GOVERNMENT AFFAIRS**

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*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.

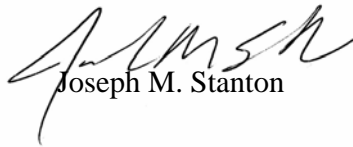
H.R. 6694 also contains a provision important to NAHB; the removal of the current 12-month moratorium on risk-based mortgage insurance premiums. NAHB supports this provision and believes the authority to set insurance premiums that are commensurate with credit risk, while retaining the principle of actuarial 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