HOUSE COMMITTEE ON FINANCIAL SERVICES
Congressman Barney Frank, Chairman

House Passes Comprehensive FHA Reform

For Immediate Release: September 18, 2007

Washington, DC - The U.S. House of Representatives today overwhelmingly passed H.R. 1852, the "Expanding American Homeownership Act of 2007," which will revitalize the Federal Housing Administration (FHA), a federally insured loan program that for over 60 years has been a reliable source of affordable fixed rate mortgage loans, especially for first-time homebuyers. The measure, originally introduced by Representative Maxine Waters, Chairwoman of the Subcommittee on Housing and Community Opportunity, and Barney Frank, Chairman of the Financial Services Committee, will enable FHA to serve more subprime borrowers at affordable rates and terms, recapture borrowers that have turned to predatory loans in recent years, and offer refinancing loan opportunities to borrowers struggling to meet their mortgage payments in the midst of the current turbulent mortgage markets.

"There is an affordable housing crisis in America. In recent months, that crisis has exploded beyond the poorest renters and homeowners, to threaten the domestic economy. H.R. 1852 is a necessary step in walking us back from the brink and in the direction of meeting the housing needs of all Americans," said Chairwoman Waters.

"A revitalized FHA program will help future homeowners realize the dream of home ownership, and will prevent many first time and inexperienced home buyers from being pushed into loans that are unaffordable or difficult to understand," said Chairman Frank. "The bill we passed today will help people all across America because we have enacted provisions to allow the FHA to insure loans in high cost areas."

Specifically, the bill includes the following important provisions:

- **Lower Down Payments**. Authorizes zero and lower down payment loans for borrowers that can afford mortgage payments, but lack the cash for a required down payment.
- **Housing Counseling**. Authorizes more than double the current funding level for housing counseling, to help subprime homebuyers and borrowers late on mortgage loan payments.
- **Subprime borrowers**. Directs FHA to provide mortgage loans to higher risk (but qualified) borrowers, without authorizing unnecessary fee hikes on such borrowers. Reverse Mortgages. Enhances the FHA reverse mortgage loan program to help seniors pay for health and other expenses, by removing the loan cap to avoid program shutdowns, raising loan limits, and by reducing the maximum fee lenders can charge for these loans.
- **Multifamily Loans**. Raises FHA multifamily loan limits, so these loans can fully fund construction costs in high cost areas, and enhances sale of foreclosed FHA rental housing loans to localities, so that affordable housing can be maintained in local communities.
- **Affordable Housing Fund**. Authorizes up to $300 million a year from the bill's excess profits for affordable housing, instead of returning such funds to the General Treasury.
- **Higher Loan Limits**. Adopts the Frank/Miller/Cardoza amendment that would raise FHA single family loan limits, which now bar loans above 95% of the median home price in each local area and shut FHA out of higher cost home markets. The amendment raises the FHA loan limit in each area to the lower of (a) 125% of the local area median home price or (b) 175% of the national GSE conforming loan limit. The amendment also retains the bill's provision for a nationwide FHA loan floor of 65% of the GSE

conforming loan limit, and gives HUD authority to raise these loan limit amounts by up to $100,000 “if market conditions warrant.”

In addition, the House adopted an amendment to the bill to direct FHA to make available refinancing loans to existing qualified homeowners who are in default or at risk of default due to rate resets or mortgage market conditions, and to authorize lower down payments for such purpose. The amendment also includes provisions to address problems arising from inflated appraisals.