

Landmark FHA Reform Legislation Reintroduced

March 29, 2007

Biggert bill to increase homeownership and enact comprehensive reforms; Ranking Member Bachus lends support

Rep. Judy Biggert (R-IL), Ranking Member of the House Financial Services Subcommittee on Housing and Community Opportunity, has reintroduced legislation that would increase homeownership rates in the U. S. by modernizing the way in which the 73-year-old Federal Housing Administration (FHA) does business.

The Expanding American Homeownership Act of 2007 (H.R. 1752) is identical to legislation that passed the House by a vote of 415-7 on July 26, 2006. The bill would reform the Federal Housing Administration in order to decrease premiums for borrowers and increase access to homeownership.

“Foreclosures in the sub-prime market are on the rise and too many Americans are in the red,” said Rep. Biggert. “My bill will give low- and moderate-income borrowers a safer alternative to the kinds of sub-prime loans that quickly go south.”

“American families need safe options and fair prices when purchasing a home,” stated House Financial Services Committee Ranking Member Spencer Bachus (AL), an original cosponsor of the bill. “Through this comprehensive legislation, the FHA will be made more efficient and will improve competition in the prime home loan mortgage industry.”

The FHA was created in 1934 to provide stability and liquidity in the market in order to broaden homeownership and to stimulate the building industry. Since then, FHA has insured more than 34 million loans and is the largest insurer of mortgages in the world.

H.R. 1752 includes provisions that would modernize the FHA in the following ways:

- Increase the conforming loan limits for lower-cost and higher-cost areas;
- Increase the maximum loan term from 30 to 40 years;
- Balance borrowers financial profile and needs with an appropriate premium;
- Increase loan limits for two- three- and four-family residences;
- Revise the definition of mortgage to insure condominiums as a single family unit rather than a multifamily project;

- Eliminate FHA's three percent cash down requirement to offer no downpayment loans; and
- Allow FHA to adjust the mortgage insurance premium to match the borrower's risk.

In addition to Ranking Member Bachus, other original cosponsors of Mrs. Biggert's bill include Reps. Ginny Brown-Waite (FL), John Campbell (CA), Shelly Moore Capito (WV), Geoff Davis (KY), Tom Feeney (FL), Paul E. Gillmor (OH), Steven C. LaTourette (OH), Frank D. Lucas (OK), Kenny Marchant (TX), Gary G. Miller (CA), Randy Neugebauer (TX), Stevan Pearce (NM), Deborah Pryce (OH), Rick Renzi (AZ), and Christopher Shays (CT).

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