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September 18, 2007

The Honorable Christopher J. Dodd
Chairman
Senate Banking Committee
534 Dirksen
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Senate Banking Committee
534 Dirksen
Washington, DC 20510

Chairman Dodd and Ranking Member Shelby:

I am writing on behalf of the members of the American Bankers Association to express our support for legislation to modernize the Federal Housing Administration (FHA), which the Senate Banking Committee is scheduled to consider on Wednesday, September 19.

The FHA was created in 1934 to serve as an innovator in the mortgage market. Since then, FHA, in a public/private partnership with banks and others in the lending community, has assisted nearly 35 million Americans become homeowners. Unfortunately, statutory limitations and lack of flexibility have caused FHA to become less relevant to the industry. The legislation before your Committee makes necessary changes to improve the efficiency of the FHA, increase competition in the lending market, and provide borrowers with a much needed option in the current tight credit market.

Specifically, ABA supports provisions that: (1) simplify the down payment process; (2) increase the FHA loan limits; and (3) modernize the Home Equity Conversion Mortgage Program. These changes will again make the FHA an important partner with the private market and will help to ensure that more borrowers are able to benefit from FHA insurance.

Finally, ABA applauds provisions in the legislation to ensure the financial soundness of the Mutual Mortgage Insurance Fund, including provisions providing the Secretary of Housing and Urban Development with the authority to make programmatic adjustments or premium adjustments to ensure that the Fund meets its operational goals.

We commend you for bringing this legislation before the Senate Banking Committee, and look forward to working with you throughout the legislative process.

Sincerely,

A handwritten signature in black ink that reads 'Floyd E. Stoner'.

Floyd E. Stoner

Cc: Members of the Senate Banking Committee