



The Federal Housing Administration (FHA) Making Homeownership Possible for Working Families

NCSHA calls on Congress to support a strong and active FHA and preserve its ability to offer affordable low down payment lending to responsible low- and moderate-income borrowers, and to preserve state Housing Finance Agencies' authority to provide down payment assistance in connection with FHA single-family mortgages.

- **FHA plays an indispensable role in supporting the first-time home buyer market.** Eighty-two percent of the home purchase mortgages supported by FHA in 2016 were for first-time home buyers. Over the last 20 years, between 60 and 70 percent of first-time FHA homebuyers were 35 years of age or younger, a key demographic that often drives the housing market. It is likely that many of these borrowers would not have been able to secure mortgages in the conventional market.
- **FHA's homeownership mission is critical to helping working families succeed.** For many low- and moderate-income borrowers, purchasing a home is by far their best opportunity to build up savings. The median homeowner has assets of \$200,000, compared to just over \$5,000 for renters. Studies have also shown that homeownership can improve families' health and educational outcomes and that homeowners are more likely to be involved in their communities.
- **FHA is a key source of affordable credit for underserved borrowers.** While FHA-insured loans represented just 25 percent of the total number of home loans originated in 2015, they accounted for 47 percent of mortgages taken out by African-American borrowers and 49 percent of mortgages taken out by Hispanic borrowers that year.
- **HFAs' special relationship with FHA is critical to their single-family programs.** In recent years, nearly 60 percent of HFA loans were insured by FHA. As government entities, HFAs are authorized to provide down payment assistance in connection with FHA mortgages. This is crucial because one of the biggest impediments to purchasing a home for otherwise responsible borrowers is the cost of affording a heavy down payment.
- **FHA has restored its economic value and is continuing to grow.** The losses FHA realized in the past were the result of extraordinary adverse economic circumstances, not poor management or underwriting. FHA loan performance has improved considerably in recent years—its serious delinquency rate has declined 50 percent since and is around a 10-year low. FHA's capital ratio has also returned to its statutory minimum level and is projected to continue improving in the near future.