

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Subcommittee on Housing and Community Opportunity
H.R. 3755, the Zero Downpayment Act

March 24, 2004

Mr. Chairman, Americans place a high value on homeownership, and that is why this Committee has remained focused on removing the barriers that prevent families from owning their own homes. Last year, this committee was instrumental in the enactment of the American Dream Downpayment Act to provide \$200 million in downpayment assistance to first-time homebuyers. Today, we are here to discuss another important piece of legislation, H.R. 3755, the Zero Down Payment Act of 2004 legislation to eliminate the down payment requirement for families and individuals who buy homes with FHA-insured mortgages.

Today, we enjoy an impressive homeownership rate of 68.5 percent, yet minority homeownership rates are only at 50 percent. H.R. 3755 will go a long way to helping us close the minority homeownership gap.

Studies show that the single biggest obstacle to homeownership for most families is the inability to come up with enough cash to meet downpayment and closing costs. Minority families in particular are burdened by high downpayment requirements.

This new Zero Downpayment program will be available to first-time homebuyers that meet FHA's underwriting requirements and who could easily afford monthly payments, but have not had the opportunity to save for downpayments.

FHA loans typically require a minimum downpayment of three percent. In addition, FHA underwriting rules allow applicants to have higher household debt ratios: monthly housing payments can be as high as 29 percent of monthly household income, and total monthly debt can go to 41 percent of monthly household income. Both these standards are more generous than most lenders and the prime market now allow.

This new zero downpayment option along with FHA's existing standards will mean that, in the first year alone, an estimated 150,000 new families will be able to purchase homes. Families qualifying for the zero downpayment mortgages will be charged modestly higher insurance premiums on their home loans. For example, on a \$100,000 mortgage, a zero down payment borrower will pay approximately \$50 a month more than a regular FHA borrower. The higher premium will completely cover the costs of the program, meaning there is no additional cost to the taxpayer.

This is an important initiative and I look forward to working with Chairman Ney, Congressmen Tiberi and Scott to enact this important new initiative.

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