

NAHB Resolution

Title: Treating Grants and Subordinated Mortgages as Equity for  
FHA-Insured Home Mortgages  
Original Sponsor: Task Force on Enhancing HUD's Role in Housing

WHEREAS, homeownership grants and subordinated loans with lower-than-market interest rates from state and local governments and legitimate non-governmental housing organizations represent much needed sources of supplemental funding for many families at the edge of homeownership;

WHEREAS, the Federal Housing Administration (FHA), which is a part of the U.S. Department of Housing and Urban Development (HUD), was created in 1934 to insure loans to home buyers who would have otherwise been denied homeownership;

WHEREAS, a lower-than-market rate subordinated loan reduces a home buyer's effective interest rate when "blended" with a market-rate FHA-insured first mortgage, thus improving the affordability of the buyer's total monthly mortgage obligation; and

WHEREAS, grants and/or subordinated loans effectively reduce the loan-to-value ratio for the first mortgage loan, thereby reducing the FHA insurance funds' exposure to loss;

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge the U.S. Department of Housing and Urban Development to recognize homeownership grants and subordinated loans as a home buyer's equity for FHA-insured loans, and to make commensurate adjustments in the mortgage insurance premiums and/or underwriting requirements for such loans.

Board of Directors Action:

Joint Executive/Resolutions Committee Action:

Resolutions Committee Action:

Housing Finance Committee Action:

Single Family Housing Finance Subcommittee Action:

Affordable Housing Finance Subcommittee Action:

**Approved**

Recommends Approval

Recommends Approval

Recommends Approval

Recommends Approval

Recommends Approval