

“FHA’s Market Share Loss and Its Impact of Housing Policy Reform”

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- Homeownership Center
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FHA's Role in the Housing Market

- Offer mortgage insurance to low or moderate income homebuyers
- Insurance to protect the lender from homeowner default
- FHA is only government agency that generates revenues- Mutual Mortgage Insurance Fund (MMI Fund)



FHA's loss in Market Share

- FHA serves: first-time homebuyers, minorities, low-income families, urban markets
- FHA grew during the 1990's
- 2003-2005, FHA market share went from 9.2% to 4.1%



Subprime Lending Market

- Lending to higher-risk homebuyers at higher interest rates and fees
- 2003-2005, subprime market share went from 8.5% to 20%
- Typical homebuyer: minority, low-income, older, less educated, less likely to search for best interest rate



Example: NYC Housing Market

- Illustrates growing impact of subprime lending
- Illustrates a market FHA can have little penetration
- How does FHA address their dilemma?



Expanding Homeownership Act

- Reform of the National Housing Act to make FHA more competitive in the market
- HR 5121 already passed in the House
- Awaiting approval in the Senate
- Bipartisan support, but concern from consumer groups



Expanding Homeownership Act

- Major Reforms:
 - Eliminate down payment requirements
 - Raise loan terms
 - Increase loan limits
 - Implement Risk-Based Premium Pricing



Expanding Homeownership Act

- Allow FHA to provide options similar to private market
- Offer substantial cost savings to FHA
- But who will actually benefit from reform?



Implications for the Future

- Exposure to housing policy supplemental to my health policy and education policy studies
- Exposure to federal government
- Interview your employer as much as they interview you!