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May 1, 2007

The Honorable Barney Frank  
Chairman, Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Spencer Bachus  
Ranking Member, Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

I am writing to you on behalf of the members of the American Bankers Association (ABA) to express our support for H.R. 1852, the Expanding American Homeownership Act of 2007. This legislation, aimed at reforming the Federal Housing Administration (FHA), will make the FHA a strong, relevant tool in helping banks and other lenders to bring homeownership to more Americans for years to come.

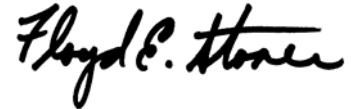
The FHA was created in 1934 to serve as an innovator in the mortgage market. Since then, in a public/private partnership with banks and others in the lending community, FHA has assisted nearly 35 million Americans become homeowners. Unfortunately, as innovations have come to the mortgage marketplace, FHA's statutory limitations and lack of flexibility have left the program well behind the rest of the industry. The legislation before the Committee makes the necessary changes to improve the efficiency of the FHA; increase the nation's homeownership rate; and increase competition in the prime home lending market.

Specifically, ABA supports provisions that: simplify the down payment process and offers borrowers flexible down payment options; extend the mortgage term of an FHA-insured loan to 40 years; increase the FHA loan limits to the lesser of 100 percent of the local median home price or the nationwide GSE conforming limits (currently \$417,000); and modernize the Home Equity Conversion Mortgage Program. These changes will bring the FHA in line with advances made in the private market and will help to ensure that more borrowers are able to benefit from FHA insurance.

Finally, Section 20 of H.R. 1852 expresses the sense of Congress that the Department of Housing and Urban Development (HUD) should use a portion of the funds FHA receives from premiums in excess of what it pays out in claims to upgrade FHA's current technology. We would encourage the Committee to move in a more proactive manner to upgrade the technology needed to implement the programmatic changes included in this legislation. To properly monitor the performance of borrowers, make adjustments in underwriting policies and prudently manage the Fund, FHA's technology must be upgraded in tandem with suggested changes, not after the fact.

We look forward to working with the Committee during consideration of this legislation in Committee and on the House Floor.

Sincerely,

A handwritten signature in black ink that reads "Floyd E. Stoner". The signature is written in a cursive, flowing style with a prominent horizontal line across the top of the letters.

Floyd E. Stoner

Cc: Members of the House Financial Services Committee