August 16, 2010

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW, Room 10276
Washington, DC 20410-0500

Docket No. FR-5404-N-01
Federal Housing Administration
Risk Management Initiatives: Reduction of Seller Concessions and New Loan-to-Value and Credit Score Requirements

To whom it may concern:

Enterprise Community Partners appreciates the opportunity to submit comments on the three proposed initiatives that would contribute to the restoration of the Federal Housing Administration’s (FHA) Mutual Mortgage Insurance Fund (MMIF) capital reserve account. We recognize the critical role that FHA plays in providing mortgages to low- and moderate-income homebuyers and in providing financing for affordable multi-family housing.

At Enterprise, we create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. Central to our mission is Enterprise’s fundamental commitment to give those living in poverty an opportunity to move up and out. We believe that these opportunities are best provided in communities with a diverse mix of affordable and market housing options, access to jobs and social supports, and a strong commitment to the environment. Since 1982, Enterprise has raised and invested nearly $11 billion to help finance more than 270,000 affordable homes across the country.

The foreclosure crisis has brought to light the importance of providing responsible mortgage products to all homeowners. Therefore, the FHA must remain fiscally sound, and we commend the FHA for taking the steps necessary to improve its financial situation.

We also believe that it is the FHA’s responsibility to facilitate building healthy, and vibrant communities that are accessible to low- and moderate-income homebuyers. Therefore, we offer the following recommendations:

1. Consider developing an FHA product that targets neighborhoods destabilized by the foreclosure crisis. We realize that, in the short term, it is incumbent upon the FHA to maintain fiscal viability so that it can serve its long term mission of providing mortgage liquidity to American homebuyers. However, one of the many adverse effects of the foreclosure crisis has been a tightening of credit, such that many otherwise qualified low- and moderate-income homebuyers cannot access mortgages due to less-than-perfect credit scores. This has exacerbated the problem of excess vacant and REO properties in neighborhoods because willing homebuyers cannot access mortgage credit to purchase. In order to stabilize

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these neighborhoods, it is critical that there be available mortgage products to homebuyers seeking to buy in these high foreclosure/high vacancy areas. Therefore, we suggest that the FHA consider developing an FHA product that targets neighborhoods destabilized by the foreclosure crisis. This product could offer more flexibility on both credit scores and the amount of downpayment required. In Enterprise’s experience the amount of the downpayment is not as critical to successful homeownership as long-term fixed rate loans and financial education.

As a result of the foreclosure crisis, entire neighborhoods have been destroyed and are plagued by vacant and abandoned properties that are inviting crime, bringing down property values, and decimating community and individual assets. Nearly $7 billion in federal funding has already been invested in these neighborhoods through the HUD Neighborhood Stabilization Program (NSP). However NSP and other neighborhood stabilization efforts will not be successful unless there are homebuyers available to occupy the vacant properties.

Such a mortgage product would not be a homebuyer stimulus; rather, it would be a neighborhood revitalization tool for low- and moderate-income areas hit hard by the foreclosure crisis. It would be strictly targeted to neighborhoods designated by localities and would have either a cap on borrower income or total purchase price to avoid over-subsidizing high income individuals. One targeting methodology could be to adopt the NSP neighborhoods or census tracts. The NSP program requires localities to select discrete areas to target funds and HUD maintains a public website with these target areas nation-wide.\(^1\)

Though using NSP-designated areas would be a simple national targeting methodology, NSP funds are not in all communities, and target neighborhoods may need to shift with time. Therefore, we recommend that FHA implement the proposed neighborhood revitalization mortgage product in areas designated by localities.

During the mid-2000s, the pendulum of mortgage lending swung too far in one direction; poor quality mortgages were too readily available and the foreclosure crisis resulted. Now, the pendulum of lending has swung too far in the other direction; perspective homebuyers cannot access mortgage credit. The FHA has the opportunity to right-size the mortgage credit field and swing the pendulum back to the middle where it belongs. Therefore, we recommend that the FHA seriously consider developing a neighborhood revitalization mortgage product that helps homebuyers access credit in areas that are determined by local jurisdictions to be destabilized, but worthy of being saved.

2. Include Location-Efficient Mortgages as an acceptable compensating factor for exceeding the standard debt-to-income ratios for manually underwritten mortgages. Homes that are accessible to public transit or are close to job clusters save families money because they spend less time and money commuting. This was documented by the Urban Land Institute in their reports The Beltway Burden and the Bay Area Burden.\(^2\)

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\(^1\) Neighborhood Stabilization Program Target Areas. Available at: http://www.comcon.org/programs/neighborhood/NSPMaps/

\(^2\) Urban Land Institute Terwilliger Center for Workforce Housing. 2009. Available at: http://www.uli.org/ResearchAndPublications/TerwilligerCenterforWorkforceHousing.aspx

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the Beltway Burden, “efforts to save on housing expenses often lead to higher transportation costs, with the result that an even larger portion of household budgets are consumed by the combined burden of housing and transportation costs.” Therefore, as the FHA screens for borrowers with ability to pay, we recommend that Location Efficient Mortgages be considered as an acceptable compensating factor for exceeding the standard debt-to-income ratio for manually underwritten mortgages. We commend the FHA for already including Energy Efficient Mortgages as a compensating factor, and we feel that adding Location Efficient Mortgages would further reduce the monthly combined costs of FHA borrowers.

3. **Include the Enterprise Green Communities Criteria or an equivalent standard as an acceptable compensating factor for exceeding the standard debt-to-income ratios for manually underwritten mortgages.** As mentioned above, we highly commend the FHA for including Energy Efficient Mortgages as an acceptable compensating factor for manually underwritten mortgages. Green homes are more energy efficient, healthier, and more environmentally responsible.\(^3\)\(^4\) Enterprise Community Partners’ Green Communities Criteria provides a national framework for environmentally-sustainable homes. Since its introduction into the market in 2004, over 17,000 homes have been built according to the Green Communities Criteria. The Green Communities portfolio represents virtually every form of housing in every type of climate in every kind of community in the country. Governments at all levels have begun to integrate the Criteria into their housing policies. For example, at least 40 state housing finance agencies have adopted portions of the Enterprise Green Communities Criteria as part of their scoring systems for awarding allocations of low-income housing tax credits. We recommend that meeting the Enterprise Green Communities Criteria or an equivalent standard be considered as an acceptable compensating factor for exceeding the standard debt-to-income ratios for manually underwritten mortgages. In reference to item #1 above, it is important to note that - in addition to addressing energy efficiency - the Enterprise Green Communities Criteria includes community-based requirements and credits that address a home’s site, location, and neighborhood.

Thank you, once again, for the opportunity to provide comments on the proposed FHA changes. We commend FHA their ongoing willingness to seek and respond to public input. Please contact us with any questions or for further discussion.

Sincerely,

\[Signature\]

Adrienne E. Quinn  
Vice President, Public Policy and Government Relations  
Enterprise Community Partners

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\(^3\) National Center for Healthy Housing. “A New Prescription for Asthma Sufferers: Healthier Homes” Available at: [http://www.nchh.org/Portals/0/Contents/breathe_easy_r2.pdf](http://www.nchh.org/Portals/0/Contents/breathe_easy_r2.pdf)  