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March 11, 2008

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\*Denotes Regional Chair

The Honorable Chris Dodd  
United States Senate  
448 Russell Building  
Washington, DC 20510

The Honorable Richard Shelby  
United States Senate  
110 Hart Senate Office Building  
Washington, DC 20510

**RE: HR 2875 and S. 2338 FHA Reform Act of 2008**

Dear Chairman Dodd and Ranking Member Shelby:

I write today to urge the preservation of the language related to private downpayment assistance programs contained in HR 2875. The United States Hispanic Chamber of Commerce is well aware that the final language of the conference report is being debated as we write and that the result will determine the fate of this vital portal to wealth creation and community stability during a time when the mortgage marketplace is abandoning its commitment to working families.

Conversely, S. 2338 contains a provision that would codify the HUD rule that was nullified in U.S. Federal Court on February 29, 2008 in Sacramento, California. According to Judge Lawrence Karlton, "HUD was not honest with itself or the public that it was reversing course from its prior policy." Simply put, low-income, minority and working American families are facing dire consequences of being prevented from obtaining homeownership and long-lasting financial security should the current provisions of S. 2338 remain in place.

As the voice of the nation's Hispanic businesses and the families these businesses support, the United States Hispanic Chamber of Commerce is critically concerned with the availability of affordable housing and the promotion of homeownership. DAPs are a crucial alternative for low-income, working and minority families who otherwise have very limited access to capital. These programs aid borrowers who qualify for government-backed loans but do not have access to the minimum downpayment requirements of at least 3% that FHA loans require. The DAPs provide a gift of the downpayment, thereby providing a bridge to homeownership to those who otherwise could not meet the requirements for a mortgage.

In fact, today DAP programs are so popular that they are utilized by close to 40% of borrowers using FHA loans, up from 0% nine years ago. Without a downpayment assistance solution, the FHA, the government agency formed during the Great Depression to provide and insure home loans to borrowers, cannot fulfill its historic role and will continue to insure fewer and fewer mortgages for low-income, working and minority families.

The accomplishments of DAPs are astonishing: the Nehemiah Program, one of the larger DAPs, has given away over \$1 billion in downpayment gifts to low-income, minority and working families, resulting in the creation of more than 250,000 new homeowners since 1997. These tremendous results have in turn spawned urban development and economic revitalization. In California alone, the Nehemiah Program has put almost 10,000 working families into homeownership and over 50% of these families are minorities.

Homeownership is a critical step towards financial security and wealth creation: a 2004 study by the Milken Institute found that low-income homeowners who used Nehemiah assistance gained on average \$19,000 in net equity wealth.

The language of S. 2338 codifying the now-discredited HUD rule effectively denies thousands of potential homeowners the bridge they need to qualify for an FHA-insured mortgage. This may force these low-income, working families to put off their dream of homeownership or risk everything by borrowing on the subprime market. Moreover, the overbroad language of S. 2338 would preclude counties, cities, and other forms of government from developing seller-assisted downpayment assistance programs utilizing the FHA 203(b) within our own jurisdictions. This ban could result in loss of homeownership opportunity and innovation in counties across the country.

The government has a responsibility to improve the success of low-income, working family and minority homebuyers. The private sector's efforts to assist the government in improving this success by helping families with a gift of the downpayment is a partnership that should be applauded, not dismantled. Taking action on this extremely important issue that affects all low-income, minority and working American families is vital. I urge you to work with your House colleagues in preserving this most deserving program. Thank you for your time and consideration.

Sincerely,



David Lizárraga  
Chairman, United State Hispanic Chamber of Commerce

- c: The Honorable Harry Reid, Majority Leader, United States Senate
- The Honorable Charles Schumer, United States Senate
- The Honorable Alfonso Jackson, Secretary, U.S. Department of Housing and Urban Development
- The Honorable Brian Montgomery, Commissioner, Federal Housing Administration
- The Honorable Barney Frank, Chairman, House Committee on Financial Services
- The Honorable Maxine Waters, Chairman, House Committee on Financial Services  
Sub-Committee on Housing and Community Opportunity