

Testimony by Mark Alston
National Association of Real Estate Brokers

To: The Committee on Financial Services
U.S. House of Representatives Chairwoman Congresswoman Maxine
Waters.

My name is Mark Alston, this testimony is to present the National Association of Real Estate Brokers position with regard to the proposed FHA changes.

The testimony will be presented from the point of sale originator and consumer points of view.

My background has always been in residential real estate, mostly in what has been considered underserved neighborhoods and minority communities. The first change we would like to address is the down payment and fico changes, it is our position that these changes will help to create sustainable Home Ownership.

We appreciate the role that FHA has played in bringing the American Dream of ownership to our communities while recognizing that the responsibility of ownership carries with it the responsibility of managing ones income and finances. Fico score (credit) implies the willingness to pay and is a predictor in loan performance. 580 as a minimum threshold for maximum mortgage financing is a generous threshold, also recognizing that risk is generally off-set by down payment or what has been referred to lately as, " skin in the game". Increased down payment for fico scores under 580 seems to be more than fair. We are in support of this proposed change.

What is concerning are today's tendencies for these guidelines not to be administered as designed by funding institutions. Almost unanimously institutions impose stricter underwriting overlays that exceed FHA guidelines and exclude families for whom these programs have been designed. With regard to the proposed changes in the annual mortgage insurance premium from .55% to a minimum of .85% with the authority to raise the annual premium to as much as 1.55% we have serious concerns.

Keeping in mind the requirement for FHA to maintain a 2% reserve, we want to be mindful of the decisions that are made and their impact at the consumer level. What may need to be addressed is the size of the reserve requirement.

I was instrumental in the design and implementation of a Fannie Mae pilot program designed to reduce the disparity between minority ownership and majority ownership in 2001. At the time majority ownership was 78%, while minority ownership hovered somewhere between 44 and 48%.

One of the principal players in this program were the private mortgage insurance companies. What ended what seemed to be a successful program was the increase in the mortgage insurance rates from .5% to well over 1.5%, we're concerned that could be the case again.

On a sale price of \$ 250,000.00 at .55% the monthly premium would be \$110.57 at that same sale price the monthly premium would be \$170.89 at a rate of .85%, at the maximum rate at 1.55% the monthly premium would be \$ 311.61 or \$201.04 more than the .55% monthly premium. This is in addition to an increase in the upfront mortgage insurance premium of .5% from 1.75% to 2.25%. We believe the financial impact to borrowing families would be better absorbed by additional increase in the upfront MIP which is financed in most cases.

In addition to FHA, the GSEs had been the largest source of mortgage capital for minority homebuyers in the country. While Fannie Mae and Freddie Mac have faced significant losses in recent years and have required significant infusion of taxpayer's dollars, these institutions' critical role for minority homebuyers cannot be underestimated. However, in order to help keep homeownership affordable we urge FNMA (Fannie Mae) to rescind their Adverse Market Delivery Charge (AMDC) as well as the series of Loan Level Price Adjustments (LLPAs) and Freddie Mac to rescind their Post-Settlement Delivery Fees as well Market Condition and Indication Score/LTV pricing adjustment. The former fee adds an extra .25% to all loans without regard to risk characteristics, borrower credit or property value, and the latter vary based on a complicated and

cumulative matrix of factors. Both these fees will dramatically increase the cost of homeownership and thereby effectively pricing many borrowers, especially low- and moderate-income borrowers and racial and ethnic minorities out of the market.

In the current economic environment, foreclosures continue to peak and unemployment remains high. Thus, it is even harder for many people, especially moderate-income families and racial and ethnic minorities, to pursue the American dream of homeownership and be a part of our nation's economic recovery. Mortgage originations for these populations are currently at an all time low. As American family income and wealth continues to decline and access to credit and capital has tightened, now is not the time to introduce new borrower fees. While we understand that these fees are being levied in the name of risk management, it does not appear that any of the money generated by the new fees is being set aside to pay losses, to fund borrower rescue programs or in any way support housing or lessen the burden of taxpayers.

We at NARAB are extremely concerned by any change that would significantly impact the cost of home ownership while at the same time we recognize the importance of having an FHA to serve our home buying community.

Thank you for the opportunity

Sincerely,

Mark Alston
National Association of Real Estate Brokers

Impact Of GSE LLPAs - \$150,000 Home, 95% Loan

FICO Score	Total LLPA % -a)	Total LLPA \$	Borrower Note Rate Impact	Borrower Payment Impact	Affordable Home Impact	Loss of Affordability	Loss of Affordability %
>= 740	0.25%	\$594	0.06%	\$9	\$248,820	\$1,180	0.5%
720 - 739	0.25%	\$594	0.06%	\$9	\$248,820	\$1,180	0.5%
700 - 719	0.75%	\$1,781	0.19%	\$28	\$246,570	\$3,430	1.4%
680 - 699	1.00%	\$2,375	0.25%	\$37	\$245,454	\$4,546	1.8%
660 - 679	2.00%	\$4,750	0.50%	\$75	\$241,058	\$8,942	3.6%
640 - 659	2.50%	\$5,938	0.63%	\$93	\$238,898	\$11,102	4.4%
620 - 639	3.00%	\$7,125	0.75%	\$112	\$236,765	\$13,235	5.3%

Assumptions:

Base Note Rate: 5.25%
 Home Price \$250,000
 Loan-To-Value % 95%
 Loan Amount \$237,500
 HDTI Ratio 31%

Example 95% LTV Loan to a FICO 680 borrower:

- 1 GSE delivery fees sum to 100 basis points, or \$2,375 on the \$237,500 loan amount
- 2 Lender must charge as points to borrower (additional cash at dosing) or "premium price" into note rate
- 3 Estimated amount of note rate increase required to generate 100 basis points of additional loan price is 25 basis points
- 4 Monthly payment increase created by the additional note rate is \$12
- 5 Borrower who could have afforded a \$250,000 home now limited to \$245,454 due to LLPA fees.
- 6 Loss of affordability due to LLPA fees.
- 7 Loss of affordability due to LLPA fees, expressed as a percent of \$250,000 original home price

Impact Of GSE LLPAs - \$250,000 Home, 95% Loan

FICO Score	Total LLPA %-a)	Total LLPA \$	Borrower Note Rate Impact	Borrower Payment Impact
>= 740	0.25%	\$594	0.06%	\$9
720 - 739	0.25%	\$594	0.06%	\$9
700 - 719	0.75%	\$1,781	0.19%	\$28
680 - 699	1.00%	\$2,375	0.25%	\$37
660 - 679	2.00%	\$4,750	0.50%	\$75
640 - 659	2.50%	\$5,938	0.63%	\$93
620 - 639	3.00%	\$7,125	0.75%	\$112
< 620	3.25%	\$7,719	0.81%	\$122

Assumptions:

Base Note Rate: 5.25%
 Home Price \$250,000
 Loan-To-Value % 95%
 Loan Amount \$237,500

Example 95% LTV Loan to a FICO 630 borrower:

- 1 GSE delivery fees sum to 300 basis points, or \$7,125 on the \$237,500 loan amount
- 2 Lender must charge as points to borrower (additional cash at closing) or "premium price" into note rate
- 3 Estimated amount of note rate increase required to generate 300 basis points of additional loan price is 75 basis points
- 4 Monthly payment increase created by the additional note rate is \$112

(a)- Adverse Market and FICO Based fees first introduced by GSEs in November 2007

Impact Of GSE LLPAs - \$250,000 Home, 95% Loan

FICO Score	Total LLPA % -a)	Total LLPA \$	Borrower Note Rate Impact	Borrower Payment Impact	Affordable Home Impact	Loss of Affordability	Loss of Affordability %
>= 740	0.25%	\$594	0.06%	\$9	\$248,820	\$1,180	0.5%
720 - 739	0.25%	\$594	0.06%	\$9	\$248,820	\$1,180	0.5%
700 - 719	0.75%	\$1,781	0.19%	\$28	\$246,570	\$3,430	1.4%
680 - 699	1.00%	\$2,375	0.25%	\$37	\$245,454	\$4,546	1.8%
660 - 679	2.00%	\$4,750	0.50%	\$75	\$241,058	\$8,942	3.6%
640 - 659	2.50%	\$5,938	0.63%	\$93	\$238,898	\$11,102	4.4%
620 - 639	3.00%	\$7,125	0.75%	\$112	\$236,765	\$13,235	5.3%
< 620	3.25%	\$7,719	0.81%	\$122	NA	NA	NA

Assumptions:

Base Note Rate: 5.25%
 Home Price \$250,000
 Loan-To-Value % 95%
 Loan Amount \$237,500
 HDTI Ratio 31%

Example 95% LTV Loan to a FICO 630 borrower:

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- 3 Estimated amount of note rate increase required to generate 300 basis points of additional loan price is 75 basis points
- 4 Monthly payment increase created by the additional note rate is \$112
- 5 Borrower who could have afforded a \$250,000 home now limited to \$236,765 due to LLPA fees.
- 6 Loss of affordability due to LLPA fees.
- 7 Loss of affordability due to LLPA fees, expressed as a percent of \$250,000 original home price

(a)- Adverse Market and FICO Based fees first introduced by GSEs in November 2007

FHA EXAMPLE

LOS ANGELES, CAL.

Financing
FHA LOAN
LOS ANGELES, CA

Sale Price	250,000.00
HUD Repossession	No
FHA Condo	No
Number of Units	1
Condo	No
Interest Rate	5.000
Term on 1st Trust Deed	30.0
Down 3.50%	8,750.00
1st Trust Deed	241,250.00
MIP 2.25%	5,428.13
Total 1st TD	246,678.13
Payment 5.000%	1,324.21
Property Insurance 3.60%	75.00
Property Tax 1.25%	260.43
→ Mortgage Insurance 0.55%	110.57
Mello-Roos 0.00%	0.00
Flood/Quake 0.00%	0.00
Association Fee	0.00
Total Pmt/Month	1,770.21

FHA EXAMPLE

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LOS ANGELES, CAL.

Financing
FHA LOAN
LOS ANGELES, CA

Sale Price	250,000.00
HUD Repossession	No
FHA Condo	No
Number of Units	1
Condo	No
Interest Rate	5.000
Term on 1st Trust Deed	30.0
Down 3.50%	8,750.00
1st Trust Deed	241,250.00
MIP 2.25%	5,428.13
Total 1st TD	246,678.13
Payment 5.000%	1,324.21
Property Insurance 3.60%	75.00
Property Tax 1.25%	260.43
→ Mortgage Insurance 0.85%	170.89
Mello-Roos 0.00%	0.00
Flood/Quake 0.00%	0.00
Association Fee	0.00
Total Pmt/Month	1,830.53

FHA EXAMPLE

3

LOS ANGELES, CAL.

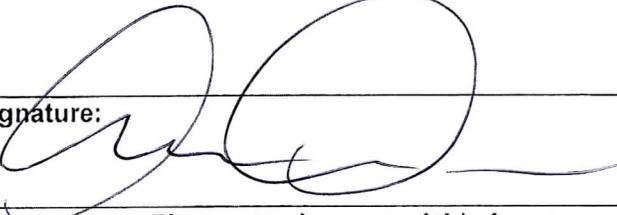
Financing
FHA LOAN
LOS ANGELES, CA

Sale Price	250,000.00
HUD Repossession	No
FHA Condo	No
Number of Units	* 1
Condo	No
Interest Rate	5.000
Term on 1st Trust Deed	30.0
Down 3.50%	8,750.00
1st Trust Deed	241,250.00
MIP 2.25%	5,428.13
Total 1st TD	246,678.13
Payment 5.000%	1,324.21
Property Insurance 3.60%	75.00
Property Tax 1.25%	260.43
→ Mortgage Insurance 1.55%	311.61
Mello-Roos 0.00%	0.00
Flood/Quake 0.00%	0.00
Association Fee	0.00
Total Pmt/Month	1,971.25

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: <i>MARK E. ALSTON</i>	2. Organization or organizations you are representing: <i>NATION ASSOCIATION OF REAL ESTATE BROKERS</i>
3. Business Address and telephone number: <i>5601 WEST SLAUSON BLVD. #244 CULVER CITY, CALIFORNIA 90230</i>	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered “yes” to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: 	

Please attach a copy of this form to your written testimony.

MARK ALSTON

Mark Edward Alston, Owner of Alston & Associate Mortgage/Skyway Realty, he also currently is the 1st Vice- President of Consolidated Board of Realtist and Chairman of the Political Action Committee.

Mark has been in the Real Estate profession since 1989, first employed by Trent Financial Inc. Where he was honored as “Rookie of the Year”; in 1993 he received recognition as “Top Producer”. In 1994 he was promoted to one of the Vice-President of the Company.

1997, Mark entered partnership with RMB investments Company as the President. After three years he left RMB and August 2000 started his own company, Alston & Associates Mortgage/ Skyway Realty.

Mark has always been a highly motivated public speaker and often called on to speak and educate on all areas of real estate from mortgage banking to real estate law. During his 21 years of Mortgage banking and real estate he is known for his excellent work ethics driven by his integrity, loyalty and a brilliant, inquisitive mind – Mark believes that it is important to give back to his Community. For years Mark has mentored many young people and shortly after the inception of his company, Mark regularly instructs a free all-phases mortgage training program which has produced at least two to three hundred successful men and women.

Some of Mr. Mark Edward Alston’s past achievements and current involvements are:

- Recognized by Congresswoman Diane Watson (JUGS) “Outstanding Work in Community Award”
- Los Angeles County Board of Supervisors “Outstanding Achievement in His Community Award”
- City of Los Angeles “Outstanding Community Achievement Award”
- City of Inglewood “Outstanding Community Achievement Award”
- Member and past Vice-President, Cosmopolitan Golf Club (the oldest Minority Golf Club in the Northwest)
- Member, California Brokers Association
- Member, Consolidated Board of Realtist
- Member, Southwest Board of Realtors
- Past Member, Board of Directors of Mini-House Recovery Home for Women
- Past President, Home Mission Department, Louisiana Progressive Baptist State Convention
- Board member with the NAACP in Seattle, WA
- Member of the National Association of Real Estate Brokers