

U.S. House of Representatives Committee on Financial Services  
Subcommittee on Housing and Community Opportunity  
Hearing on H.R. 3755 The Zero Down payment Act of 2004  
Room 2128 Rayburn House Office Building  
10 a.m., Wednesday March 24, 2004  
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Mr. Chairman and Members of the Committee

I think that it is a very good idea to offer Zero Down Payment to qualified persons that have a desire to own a home; but do not have a down payment of their own. The passage of this bill would allow more potential buyers to acquire their own home. I know that with the proper guidelines, this could be a blessing to those that wish to purchase a home of their own. The down payment is one of the biggest hurdles most people have.

The purchase of homes for families not only improve the neighborhoods; but also increase the tax base for the local communities and can have a ripple effect on the whole area and therefore we should see a decrease in crime and a rise in property values.

1) The value of requiring downpayments for a potential FHA insured borrower is for the reason; if you have something invested in a project; you are less likely not to let that property go; however one can never know what will happen to a person when a certain situation arises such as; job loss, illness or divorce.

2) There are several programs that are currently out on the market, most require some type of counseling to the potential buyer. The lenders do credit reports background checks, work history etc. Some may charge slightly higher fees to offset the cost of providing this service, but most home buyers are happy to get in without coming up with a down payment. The purchases are still within the buyers range of financing.

The under writing of loans for Conventional and Jumbo markets is a difficult one with no payment because of the loan size. I think it could be possible; but to me it requires a very strong individual with a lot of reserves. The market today finds a good number of high price homes in the foreclosure market, whether due to down payment or other unknowns.

3) The differences between minority applicants and other groups are: most minorities have very few liquid assets available to use for down payment; however just because funds for down payment are not available does not mean; that they are not able to repay their mortgage loans. Note: This group is one of the fastest growing segments because it includes: Latinos, African Americans and Women a lot of whom are single.

4) I would only recommend that FHA not insure a mortgage without Down payment only in cases where the job time is short and other negative items may appear.

Everyone has had some type of bad experiences in their life and to focus just on them is wrong. We should focus on what people have done since having these negative experiences, there is so much interest in things that may have happened 5-10 years ago that still effect some people today.

The approval of loans today looks primary at credit scores from computers to see if someone qualifies and if the computer score said; you did not meet their score requirements you are rejected without any person even checking the report. They flat out reject it; that keeps a lot of possible buyers out of the market. We need to not just rely on the reports; but to have someone review the application and talk to the buyer what they found and the necessary things that need to be done in order to purchase a home and again to look at the current situation.

5) No! I don't think so; because some people will always rent regardless of their incomes, because they do not want the responsibility of taking care of something this should not effect the rental market.

6) I think it may have some effect; but nothing major relating to the FHA Insurance Fund. I think that if the people are screened and counseled properly in the beginning the losses that occur will be minor.

7) 1<sup>st</sup> of all the lenders all should come under state rules and licencing and have inspections done by the state authorities to constant monitor their business practices. The FHA foreclosures in low income neighborhoods could be lessened if; the buyers are properly educated about the pitfalls about borrowing and repaying of funds.

The biggest problem that has been happening is that the appraisal of properties have been overpriced and the lenders giving more than 100% loan to value; example 103% loan programs and higher ones. There has also been higher loan rates for areas of inner city purchases, then there are in other areas.

8) The types of counseling; budgeting, home repair, record keeping and understanding of credit and the consequences of not following the above.

9) Yes! I think you would find some actual buyers willing to purchase some of these units as owners with the other units being income properties. The owner actually living in one of the units and renting the rest; if this was made available.

Summary: I feel that the zero downpayment program would be a great shot in the arm to increase the home ownership, improve neighborhoods and to help move the economy toward a more productive one.