

*Prepared, not delivered*  
**Opening Statement**  
**Chairman Michael G. Oxley**  
**Financial Services Committee**

**Subcommittee on Housing and Community Opportunity**  
**H.R. 3043, the Zero Downpayment Pilot Act of 2005**

**June 30, 2005**

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Mr. Chairman, Americans place a high value on homeownership, and that is why this Committee has remained focused on removing the barriers that prevent families from owning their own homes. During the 108th Congress, this committee was instrumental in the enactment of the American Dream Downpayment Act to provide \$200 million in downpayment assistance to first-time homebuyers. Today, we are here to discuss another important piece of legislation, H.R. 3043, the Zero Down Payment Pilot Act of 2005, which will eliminate the down payment requirement for families and individuals who buy homes with FHA-insured mortgages.

Today, we enjoy an impressive homeownership rate of 69 percent, yet minority homeownership rates are only slightly below 50 percent. H.R. 3043 will go a long way to helping us close the minority homeownership gap.

Studies show that the single biggest obstacle to homeownership for most families is the inability to come up with enough cash to meet downpayment and closing costs. Minority families in particular are burdened by high downpayment requirements.

This new Zero Downpayment program will be available to first-time homebuyers that meet FHA's underwriting requirements and who could easily afford monthly payments, but have not had the opportunity to save for downpayments.

FHA loans typically require a minimum downpayment of three percent. In addition, FHA underwriting rules allow applicants to have higher household debt ratios: monthly housing payments can be as high as 29 percent of monthly household income, and total monthly debt can go to 41 percent of monthly household income. Both these standards are more generous than most lenders and the prime market now allow.

I understand that this legislation incorporates ideas and concerns raised during last year's March 24, 2005 hearing and June 3, 2004 Committee markup. As a result, this proposal is a pilot program, limited to 50,000 mortgages and will sunset in 2010. Moreover, it incorporates several safeguards, to ensure adequate underwriting as well as protection of the FHA's Mutual Mortgage Insurance Fund that were developed during last year's markup. It appears that these changes will make the pilot program responsive to concerns that without adequate safeguards, zero downpayment requirements will lead to increased foreclosures.

This is an important initiative and I look forward to working with Chairman Ney, Congressmen Tiberi and Scott to enact this important new initiative.

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