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Prepared Testimony of Thomas J. Finnegan III  
President, Huntington Mortgage Group

on

The Zero Down Payment Act of 2004, H.R. 3755

before the

Subcommittee on Housing and Community Opportunity  
of the

U.S. House Committee on Financial Services

The Honorable Bob Ney, Chairman  
The Honorable Maxine Waters, Ranking Member

March 24, 2004

Chairman Ney, Ranking Member Waters, and Members of the Subcommittee, thank you for the opportunity to testify this morning in strong support of H.R. 3755, the “Zero Down Payment Act of 2004.”

I am Tom Finnegan, President of the Huntington Bank’s Mortgage Group. Huntington is a subsidiary of Huntington Bancshares Incorporated, a \$30 billion regional bank holding company headquartered in Columbus, Ohio. Through its affiliated companies, Huntington has more than 138 years’ experience serving the financial needs of its customers. Huntington provides innovative retail and commercial financial products and services through more than 300 regional banking offices in Indiana, Kentucky, Michigan, Ohio and West Virginia.

I have been with Huntington for nearly 8 years and have over 25 years experience in the mortgage industry and in working with Federal Housing Administration insured loans. In 2003, Huntington Mortgage Group funded \$6.1 billion in mortgage loans including \$425 million in FHA insured loans and we currently service approximately \$600 million in FHA loans. While the mortgage industry has experienced an exceptional upturn in the last two years, there are still many Americans who do not have the resources to own their own home.

H.R. 3755, the Zero Down Payment Act, will significantly enhance the housing market by allowing lenders to extend mortgages to hard working Americans with good credit who simply can not afford the lump sum down payment traditionally required with FHA loans.

At Huntington, our mortgage specialists, those associates responsible for counseling homebuyers about their financing options, report that saving for a down payment is the single most common roadblock for first-time homebuyers. We find that many of these potential customers easily qualify for a mortgage payment that equals what they are currently paying in rent. These first-time buyers have long rental histories, have made their payments on time, have solid income sources and want to purchase now, but do not have additional money saved for a down payment.

For example, if a potential buyer were purchasing a \$190,000 home in Columbus, Ohio, the buyer's down payment for an FHA loan would be 3% of the purchase price, or \$5,700. In the event this family was able to put aside \$100 a month, it would take over five and a half years to save the down payment and achieve their goal.

The Zero Down Payment Act would allow this family to move into a new home today. Lenders would embrace the program because the FHA would back the zero-down program and borrowers would pay a slightly higher insurance premium to cover the exposure.

For conventional, 3 percent-down products backed by FHA, Huntington would charge an initial premium of 1.5% of the loan amount, or \$2,850 on the \$190,000 home used in our example. The zero-down loans would bring a premium of 2.25% or \$4,275 on the same \$190,000 home--a difference of just \$1425. This premium would be added to the principal of the loan and included in the mortgage financing.

Zero-down borrowers would also see an increase from .5% to .75% in their annual insurance premiums for the first five years of the loan. For our family purchasing the \$190,000 home, the increase in monthly payment is under \$100.

The option to pay higher insurance premiums over paying large lump sum down payments will allow families to avoid losing the time value of money, and begin immediately building wealth and equity in their home. In addition, when families are not forced to spend their savings balances down to zero, they have the resources to cover unexpected emergencies and other expenses associated with home ownership.

H.R. 3755 contains several safeguards to protect both borrowers and the housing market. As a lender, managing our credit portfolios and mitigating risk determines the success of our business. Our support and confidence in the Zero Down Payment Act is based on two important factors.

First, the families that will be served by this program will still have to qualify for the financing and meet at least the same credit standards as all Huntington FHA program borrowers. In addition to meeting Huntington and FHA underwriting requirements, the borrower must be able to easily afford the monthly mortgage payment. Certainly, underwriting of the zero down loans, either manually or through FHA's Total Scorecard, should focus on the borrower's capacity for the monthly payments as well as their credit history and cash reserve position. As I mentioned previously, by substantially lowering the up front cash needed by the borrower, the program enhances the individual's ability to conserve cash for future needs.

Second, the Zero Down Payment Act will build upon the track record and success of current FHA programs to expand the dream of home ownership to low and moderate-income families. As a lender that partners actively with the Federal Housing Administration, Huntington has confidence in FHA's ability to create a program that will protect and educate consumers, maintain a healthy lending environment, and grow the housing market.

The built in safeguards afforded by H.R. 3755 are preferable to the current market solution to the down payment roadblock. Like many mortgage loans, the current FHA program allows for "gift funds" to cover the required 3% down payment. Many non-profits have recognized the need for down payment assistance and provide these "gifts" in partnership with homebuilders and home sellers.

We believe the more direct approach offered by H.R. 3755 is preferable. It eliminates the need for additional involvement of third parties, extra paperwork and allows for the direct negotiation of a sales price with a home seller without regard to the financing method being chosen.

In closing, I reiterate Huntington's strong support for H.R. 3755, the Zero Down Payment Act of 2004. We thank Chairman Ney and Congressman Tiberi for their leadership on this important legislation . By acting quickly, Congress can provide stimulus to the housing market, and help working families, particularly those in the low to moderate-income areas, to achieve the American dream of home ownership.

Thank you Chairman Ney for providing Huntington the opportunity to testify today. I welcome any questions.

Thomas J. Finnegan, III

Thomas J. Finnegan, III has been President of Huntington Mortgage Group (HMG), a division of Huntington National Bank, since September 1998 and is responsible for all aspects of residential mortgage banking and mortgage portfolio management at Huntington. He also serves on HBI's ALCO Committee. Mr. Finnegan joined Huntington in 1996, and served as HMG's Senior Vice President of Production from August 1996 through August, 1998.

Prior to joining Huntington, Mr. Finnegan served as Executive Vice President of Integra Mortgage Company, a subsidiary of Integra Financial Corporation, in Pittsburgh, PA from 1992-96 and was with Landmark Savings Association in Pittsburgh from 1978-1992. At Landmark he served as Treasurer from 1982-85, and as Senior Vice President of Real Estate Lending and Mortgage Banking from 1985-92. Mr. Finnegan began his business career with Peat, Marwick, Mitchell & Co. (KPMG) from 1973-78.

Mr. Finnegan graduated with high distinction from The Pennsylvania State University in 1973, receiving a Bachelor of Science degree in accounting. He is a member of Beta Gamma Sigma, National Business Honorary Fraternity, and received his Certified Public Accountant designation in 1975.

Mr. Finnegan is Immediate Past President of The Ohio Mortgage Bankers Association and is a member of the Residential Board of Governors of the Mortgage Bankers Association of America. He currently serves as Treasurer of Simon Kenton Council, Boy Scouts of America and as a member of the Board of ProMusica Columbus. Among his numerous previous business, civic, and community affiliations, Mr. Finnegan served as President of The Mortgage Bankers Association of Western Pennsylvania, and as inaugural chairman of The Keystone Conference of Pennsylvania Mortgage Bankers Associations. He also served for three years as President of the Epilepsy Foundation of Western Pennsylvania.

He and his wife Beverly reside in Dublin, Ohio with their two sons Matthew and Gregory.

