



CONGRESSMAN GARY G. MILLER

PRESS RELEASE

CALIFORNIA'S 42ND DISTRICT



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Rep. Gary Miller Introduces Shared Equity Homeownership Bill

WASHINGTON, DC – Today, Rep. Gary Miller introduced H.R. 6256, the Strengthening FHA Through Shared Equity Homeownership Act of 2010. This legislation would establish a shared equity homeownership pilot program through the Federal Housing Administration to lessen the risk of homeownership and decrease FHA's vulnerability to fluctuations in the housing market.

“Over the past couple of years, our nation has witnessed one of the most severe recessions in our country's history as a result of turmoil in the housing sector,” said Rep. Miller. “Although some economists claim that our economy has recovered, millions of Americans remain unemployed and face the threat of losing their home.”

To address the ongoing turbulence in the housing sector, Rep. Gary Miller has introduced a bill that encompasses shared equity homeownership, which makes sure that homes remain affordable to lower income households and at the same time can place the owner within a community-based support system. Specifically, the legislation establishes a pilot program through the Federal Housing Administration (FHA) where homeowners, working through FHA, can sell a portion of the equity in their home to an investor. In return, the family shares with the investor the value of any home price appreciation that may occur relative to the proportion of the investment. Any investment will go toward principle and may not be used for downpayment or closing costs as the homebuyer will have to comply with all FHA requirements for homeownership including the mandatory downpayment requirements. Additionally, in order to protect the mortgagor, investors must be completely independent and not a party to the sale eliminating the ability of sellers to provide investment in homes they are selling. The mortgagor must retain at least a 60 percent equity share in the home and will retain all rights associated with homeownership. If a loss is incurred on the sale of the home, the investor likewise shares in the loss in proportion to the initial investment.

“At no cost to the taxpayer, my proposal contains a potential two-fold benefit,” added Rep. Gary Miller. “Decreasing the Loan-to-Value rates will result in lower monthly mortgage payments, thereby reducing the risk of homeownership. By mitigating the risk for homeowners, this will also decrease FHA's exposure to volatility in the housing market. As countless families have been forced to foreclose on their homes, it's time that we come up with a new, creative approach to address this ongoing problem, and I believe my bill does just that.”

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