



from the  
**Desk of Ed Golding**  
Principal Deputy Assistant Secretary for  
Housing and Head of the FHA



May 25, 2016

Dear Stakeholder,

I am writing to let you know that loans that include down payment assistance provided by state and local housing finance agencies continue to be eligible for FHA insurance. After conducting a thorough and deliberative process, HUD has determined that housing finance agency down payment assistance programs are legal and consistent with the National Housing Act. Government entities *may* provide funds to borrowers to help make down payments on FHA loans.

Down payment assistance programs meet a critical need by providing important resources to access homeownership. These programs help responsible families overcome barriers that would prevent them from moving into homeownership. In many ways, these are the very families FHA was designed to help. These programs help us meet our mission of facilitating homeownership for low- and moderate-income families. In fact, through the FHA program, more than 60,000 families become homeowners each year with the help of the down payment assistance provided by state and local housing finance agencies.

Our communities can also benefit from down payment assistance. Down payment assistance programs are sometimes coupled with neighborhood revitalization initiatives, funded through federal and other public sources. When combined in this manner, these sources of funds play a critical role in expanding affordable homeownership and creating vibrant neighborhoods.

Though we are committed to supporting down payment assistance, we understand that these loans sometimes carry greater risk. We appreciate the Inspector General (IG) bringing this matter to our attention and believe our program benefits from the work of the IG to identify and mitigate risk. Making our programs more effective and efficient by mitigating risk leads to a better outcome for all involved.

We continuously monitor risk throughout the FHA Single Family program, and we are exploring additional steps we can take to improve performance specifically in down payment assistance programs. We will work diligently to reduce the impact of these risks on our portfolio. We know it is possible to accomplish this as the research shows carefully designed programs perform better.

As always, we expect our lender-partners to comply with our rules and regulations. Also, we appreciate the IG's focus on compliance, as we cannot have a program that effectively serves consumers if lenders do not take their compliance responsibilities seriously. Of course, non-compliance with our rules and regulations may result in administrative action.

We are glad to have this matter resolved and are looking forward to working with housing finance agencies and lenders to make down payment assistance programs work even better for homeowners.

Thank you,

Ed

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