

By Renae Merle
Washington Post Staff Writer

Thursday, November 1, 2007; Page D03

A judge issued a temporary order yesterday stopping the Department of Housing and Urban Development from enacting a rule prohibiting seller-financed mortgage down-payment assistance programs.

Such programs allow nonprofit organizations to help buyers with down payments and be reimbursed by the seller. HUD, the Internal Revenue Service and the Government Accountability Office have questioned the value of the programs, noting that borrowers who used them were more than twice as likely to default on their mortgages or become delinquent in their payments than others with loans backed by the Federal Housing Administration.

HUD issued a rule Oct. 1 that ended such programs in connection with FHA loans. The rule was set to take effect yesterday. Several groups sued, including AmeriDream in Gaithersburg and Nehemiah Corporation of America in Sacramento, two of the largest providers of such assistance. They called the decision capricious, and argued that their programs help many minority and first-time home buyers.

In a four-page ruling, U.S. District Court Judge Paul L. Friedman sided with the nonprofits. Enforcing the rule would put the groups out of business, and HUD "failed to supply a reasoned analysis for its departure from its long-standing policy of approval" of the program, he wrote.

The FHA will abide by the decision, spokesman Brian Sullivan said. The next court hearings on the issue have not been scheduled yet.

The decision was heartening, said Scott Syphax, Nehemiah chief executive. "That is not to say that we don't believe that there are issues that need to be addressed and standards that need to be raised," he said.

The nonprofit group supports some tougher standards for the programs, such as homeownership education and a requirement that appraisals be done at arm's length to prevent manipulation, he said. "We continue to hope that a sensible common ground can be achieved."