

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

October 21, 2014

The Honorable Julian Castro
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20410

Dear Secretary Castro:

In the wake of a crisis that has taken a toll on many low- and moderate-income families, I appreciate the work your agency has done to assure that the Federal Housing Administration (FHA) continues to be in a financial position to provide for the families that depend on FHA for access to the housing market. With that in mind, we are writing to request that you revisit some of the FHA's recent policy changes enacted to shore up the Mutual Mortgage Insurance Fund (MMIF). As the MMIF continues to improve, we ask that FHA carefully consider the impact on credit availability of its aggressive approach to reaching the statutory reserve ratio.

FHA serves a critical role providing mortgage credit to stabilize and strengthen U.S. mortgage markets. Under your leadership, and the leadership of your predecessors, FHA has taken important steps to improve the financial condition of the MMIF. In fact, FHA is projected to show a positive balance in its capital reserves for 2015. By steadily increasing premiums and tightening underwriting standards, FHA has been successful in its effort to bolster the MMIF.

However, we are concerned that the decisions to increase mortgage insurance premiums (MIP) and to extend the requirements for premium payments to the entire life of the loan, policies that were adopted to ensure that the MMIF rapidly reached the two percent capital reserve ratio, will cause unnecessary hardship for borrowers and render the housing market inaccessible to vulnerable constituencies. We have heard numerous accounts of low- and moderate-income families being priced out of FHA-insured loans because of the increasingly high MIPs. While FHA's recently proposed "Homeowners Armed With Knowledge" (HAWK) program may be a useful tool for reducing premiums and claims to the MMIF, this program alone may be insufficient to ensure that creditworthy families have affordable access to credit. We are also concerned that as the private market recovers, price competition will drive lower risk borrowers to alternative lenders, which could, unintentionally, adversely affect the risk profile of the MMIF.

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Therefore we ask that FHA takes a close look at these concerns and respond with a plan to adjust its MIP structure and other policies accordingly.

Sincerely,

A handwritten signature in black ink, appearing to read "Maxine Waters".

Honorable Maxine Waters
Ranking Member

A handwritten signature in blue ink, appearing to read "Michael E. Capuano".

Honorable Michael E. Capuano
Ranking Member, Subcommittee
on Housing and Insurance