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Media Contact:
Robert Schwartz 202-207-3665
rschwartz@rasky.com

USMI Statement on Status and Solvency Of the FHA Insurance Fund

Today, the Federal Housing Administration (FHA) reported on the status of the FHA Mutual Mortgage Insurance Fund (Fund), which has been below the statutory 2% minimum capital ratio since 2009. Consistent with the general credit improvement regarding residential mortgages, the Fund met the minimum standard.

USMI President and Executive Director Lindsey Johnson stated: “We welcome the progress made, but caution against a false sense of security from today’s report. It is a reminder of continued taxpayer exposure to more than \$1 trillion in FHA insured mortgage credit risk. The MI industry and FHA should serve as complementary ways to promote sustainable homeownership. But to do that, FHA still needs to become more financially resilient in line with the rest of the financial system, and remain focused on its core mission of serving underserved communities.”

The Fund’s current capital ratio is noteworthy because the amount of capital held relative to risks assumed has been increased in other parts of the housing finance system, but not at FHA. Updated Private Mortgage Insurance Eligibility Requirements (PMIERS)—stress-tested financial requirements developed by Fannie Mae, Freddie Mac, and the Federal Housing Finance Agency—significantly increased claims paying capacity and capital for the MI industry. Unlike other financial entities under Dodd Frank, Federal Reserve requirements, and PMIERS, the FHA 2% minimum capital ratio has not been increased and is not subject to stress testing. For this reason, analysts such as Mark Zandi have recommended a substantial increase in FHA’s minimum capital ratio to 4.5% to reflect lessons learned from the financial crisis.

Accordingly, USMI is calling for reforms to the FHA capital standard. USMI encourages policymakers to increase the Fund’s minimum capital ratio to reduce the chances of a taxpayer bailout in future market downturns, and to stress test those levels to ensure the Fund’s financial position is more consistent with the risks assumed.

Click [here](#) for a comparison of private mortgage insurance and FHA insurance.

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About USMI

U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system backed by private capital that enables access to housing finance for borrowers while protecting taxpayers. Mortgage insurance (MI) offers an effective way to make mortgage credit available to more people. USMI is ready to help build the future of homeownership. Learn more at www.usmi.org.
