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USMI Statement on MBA Letter to FHFA Director Watt

Statement by Lindsey Johnson, President and Executive Director of USMI

Yesterday, the Mortgage Bankers Association (MBA) sent a [letter](#) to FHFA Director Mel Watt urging action to reduce the continued taxpayer risk exposure posed by the housing GSEs, Fannie Mae and Freddie Mac. The letter specifically calls on the FHFA to require greater use of up-front risk sharing by the GSEs, particularly with deeper private mortgage insurance (MI) coverage, to de-risk loans before they are acquired by the GSEs.

MBA President and CEO Dave Stevens highlighted the “imperative that the GSEs reduce their retained risk in order to avoid any increase in taxpayers’ investment in the enterprises,” and stated that “multiple forms of up-front risk sharing should be piloted including deeper cover mortgage insurance (MI).” Stevens goes on to say that risk sharing “should not advantage certain lenders relative to others” and that “[the MI] approach would be operationally easiest for the vast majority of lenders.” In addition, the MBA letter detailed reasons why the MI industry is such a reliable counterparty and well positioned to bear additional housing finance risk.

USMI could not agree more. The MI industry has covered more than \$50 billion in claims to the GSEs since the beginning of the financial crisis, resulting in substantial taxpayer savings. USMI member companies never stopped paying claims, and never stopped writing new coverage. MIs are subject to rigorous new capital and operational standards under the Private Mortgage Insurer Eligibility Requirements (PMIERS) issued by the GSEs with oversight by FHFA. The MI industry has attracted billions in new capital since the crisis, and is well positioned to raise even more. Further, as of October 2014, MIs operate under new master policy agreements, which provide assurances about the consistent handling and payment of mortgage insurance claims and bring greater transparency and clarity to contractual protections for lenders and investors.

We look forward to working with FHFA, the GSEs and lenders of all sizes in making progress towards a more sustainable housing finance system that is less risky for taxpayers, while ensuring access to creditworthy borrowers.

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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.
