

Recap: Making Housing Finance System More Sustainable and Reducing Taxpayer Exposure Through Increased Front End Risk Sharing

Last week, we saw several indications that momentum is growing to make the housing finance system more sustainable and reduce taxpayer exposure by further de-risking the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac with increased front end risk sharing, in particular, by [expanding private Mortgage Insurance \(MI\) coverage](#).

- Bipartisan members of Congress are urging FHFA to take additional steps to expand front end risk sharing. **Representatives Stivers (R-OH) and Moore (D-WI)** [expressed](#) concern over the “lack of balance between ‘front-end’ and ‘back-end’ risk sharing.” And **Representatives Luetkemeyer (R-MO) and McHenry (R-NC)** sent a [letter](#) to FHFA urging them to “require the Enterprises to also explore and engage in diverse forms of front-end credit risk sharing.” The House letters join a bipartisan Senate [letter](#) signed by **Sens. Mark Warner (D-VA), Bob Corker (R-TN), Heidi Heitkamp (D-ND), Mike Crapo (R-ID), Jon Tester (D-MT), and Dean Heller (R-NV)** which also encourages FHFA to expand and better define the development of credit risk transfer programs.
- The **Mortgage Bankers Association** sent a [letter](#) to FHFA Director Mel Watt urging 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.
- **Doug Holtz-Eakin** of American Action Forum [stated](#) that de-risking the GSEs through greater use of private mortgage insurance (PMI) “represents a step toward finally resolving the structural flaws that contributed to the [financial] crisis.”
- Respected analysts **Laurie Goodman, James Parrott and Mark Zandi** issued a joint paper – [Delivering on the Promise of Risk Sharing](#) – which provides a very thorough analysis of all the options, including up front risk sharing with MI.
- USMI president Lindsey Johnson was in the news, with an [op-ed](#) in The American Banker and a [Q&A](#) in DS News, both on risk sharing.

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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.
