November 5, 2025

The Honorable William J. Pulte
Director, U.S. Federal Housing (FHFA)
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

Dear Director Pulte:

On behalf of our member companies, U.S. Mortgage Insurers (USMI)[1] appreciates the opportunity to provide feedback on U.S. Federal Housing's (FHFA) draft *Strategic Plan for Fiscal Years 2026-2030* (Strategic Plan).[2] USMI represents the nation's leading private MI companies and our members enable first-time and working-class homebuyers without access to large down payments to realize the American Dream of homeownership sooner, while providing risk protection to lenders, Fannie Mae and Freddie Mac (the GSEs), investors, and taxpayers. Private MI offers an affordable, effective, and time-tested solution to make mortgage credit available to low down payment homebuyers and is backed by private capital. USMI fully supports the overarching goal articulated in FHFA's Strategic Plan to "ensure the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets in a safe and sound manner."

The private MI industry has nearly 70 years of expertise in underwriting and actively managing mortgage credit risk to balance access to affordable and sustainable mortgage credit with protecting lenders, GSEs, investors, and taxpayers from mortgage credit-related losses. USMI would like to commend FHFA on the Strategic Plan which outlines the agency's priorities as regulator and conservator of the GSEs and regulator of the Federal Home Loan Bank (FHLBank) System and, upon review of the Strategic Plan, offer the following observations and recommendations to further underscore our support of specific objectives:

GSEs' Role in the Housing Finance System – Conventional Market Footprint
USMI supports Objective 1.2(2) of the Strategic Plan to "ensure the Enterprises comply with their Charter Acts" and make certain that the GSEs serve their statutory purposes which Congress clearly defined as providing liquidity, stability, and promoting access to mortgage credit nationwide.[3] The GSEs operate as a bridge between the purely government- and taxpayer-backed market through programs like the Federal Housing Administration (FHA) and the purely private mortgage market without any government backstop that may not always be able to meet the demands of middle America, especially during periods of economic stress. As the bridge, the

[1] USMI membership comprises: Enact Mortgage Insurance Corporation; Essent Guaranty, Inc.; Mortgage Guaranty Insurance Corporation; National Mortgage Insurance Corporation; and Radian Guaranty Inc.
[2] FHFA, "U.S. Federal Housing Requests Input on New Strategic Plan" (October 15, 2025). Available at https://www.fhfa.gov/news/news-release/u.s.-federal-housing-requests-input-on-new-strategic-plan.
[3] 12 USC 1716 and 12 USC 1451 note.

GSEs attract private capital to the housing finance system through loan-level private MI and back-end credit risk transfer (CRT) solutions, allowing them to efficiently serve first-time homebuyers and working-class households. Last year alone, the private MI industry supported more than 800,000 homeowners, nearly all of them purchase transactions, turning renters into owners and representing approximately $300 billion in originations.[4] Importantly, 65% of purchasers with low down payment mortgages backed by private MI were first-time buyers and nearly 35% had household incomes of less than $75,000.[5] A conventional mortgage with private MI is a powerful tool for creditworthy borrowers who lack large cash down payments and private MI paid monthly by the borrower represents a small, temporary cost of homeownership that has declined approximately 25% since 2017, as measured by publicly-available data on in-force premium yields.[6]

For the GSEs to continue to provide borrowers with affordable and sustainable access to mortgage finance through the entire economic cycle in all geographic areas, it is important that FHFA and other federal policymakers develop and implement a clear, consistent, and coordinated federal housing finance policy. This allows the housing finance system to best serve homebuyers, properly manage mortgage credit risk, and better delineate the roles of conventional loans acquired by the GSEs, taxpayer-backed programs such as the FHA, and private mortgage markets through bank and credit union portfolio lending and private label securitization (PLS). The U.S. housing finance system is interconnected and a holistic, transparent approach to federal policy will best ensure that the GSEs meet their statutory mission and that borrowers receive the best execution possible.

The conventional conforming market, with a footprint informed by loan limits and credit guidelines, offers access to the 30-year fixed-rate mortgage for a broad swath of middle America in all geographies during all economic cycles, and policymakers should prevent strict, artificial, government-imposed program distortion. Regulatory, capital, and pricing regimes should not inadvertently or arbitrarily limit the ability of creditworthy homebuyers to become homeowners through this channel, or unnecessarily drive homebuyers to other channels. To the extent that policymakers revisit capital regimes in the housing finance system, namely the Enterprise Regulatory Capital Framework (ERCF) and any bank capital proposals, USMI encourages the harmonization of capital standards to provide appropriate recognition of and capital relief for loan-level credit enhancement from Private Mortgage Insurer Eligibility Requirements (PMIERs)-compliant insurers on low down payment mortgages, reflecting the strength, resiliency, and durability of the private capital that stands in a first-loss position.

As FHFA reviews GSE pricing, including upfront fees, the framework should be calibrated to ensure a safe and sound housing finance system while efficiently serving a wide swath of American homebuyers. It should accurately account for the robust loan-level, first-loss risk

[4] GSE Aggregate Data and Private MI Companies' 2024 10-K Filings.
[5] GSE Aggregate Data and Home Mortgage Disclosure Act (HMDA) Data.
[6] Private MI Companies' 10-K Filings and Credit Supplements for 2017-2024.

protection provided by private MI, such that upfront and ongoing fees reflect the GSEs' true second-loss risk exposure on high loan-to-value (LTV) mortgages with private MI coverage.

GSEs' Role in the Housing Finance System – Products and Activities

The GSEs are unique corporate entities endowed with certain market advantages and privileges, including lower costs of capital and ratings derived from an implicit or explicit government backstop. USMI supports Objective 1.2(2) to "Ensure the Enterprises comply with their Charter Acts" and remain squarely focused on performing their statutory mission of promoting liquidity in the secondary mortgage market without taking on additional risk in well-functioning markets that are already served by the private sector. This includes the "bright line" separation between primary market activities which are outside the GSEs' statutory chartered scope and secondary mortgage activities.

More broadly, the GSEs have significantly expanded their role in the U.S. housing finance system during their more than 17 years in conservatorship. Pursuant to the requirements of the *Housing and Economic Recovery Act of 2008,* USMI encourages transparent and consistent implementation of FHFA's 2022 final rule on "Prior Approval of Enterprise Products"[7] to ensure that the GSEs operate in compliance with their congressional charters and do not disintermediate prudently regulated private capital. A transparent notice-and-comment and assessment process provides stakeholders the opportunity to comment on how proposed new products, activities, and pilots could impact consumers, the GSEs, non-GSE market participants, and the broader housing finance system. Adhering to the requirements of the statute and rule is critical, particularly in a possible post-conservatorship environment, to prevent the GSEs from taking on additional risk in areas already well-served by private capital.

Counterparty Standards

FHFA plays an important role in regulating the GSEs, including overseeing the development, implementation, and enhancements to their counterparty standards. USMI supports Objective 1.1(5) of the Strategic Plan to "Ensure the Enterprises establish and maintain standards for sellers, servicers, and counterparties that strengthen the overall functioning and resiliency of the mortgage markets." Private MI companies must comply with PMIERs that are set by the GSEs under the supervision of FHFA in order to be approved to insure mortgages acquired by the GSEs. PMIERs' robust capital and operational standards were updated in 2015, 2018, and 2024 to provide even greater confidence to market participants and represent a significant achievement of the GSEs while in conservatorship. USMI's members collectively hold nearly $9.3 billion of capital in excess of PMIERs standards, representing a 165% sufficiency ratio.[8]

To maintain a strong and resilient housing finance system, it is critical that the GSEs have uniform counterparty standards, including regulatory oversight, regulatory capital, reserves, leverage, and liquidity requirements. As it relates to low down payment mortgages, any entity providing credit enhancement should fully comply with the PMIERs standards. Should the

[7] 87 Federal Register 79217 (December 27, 2022).
[8] Private MI Companies' 2Q2025 10-Q Filings.

GSEs exit conservatorship, FHFA should ensure that a common set of counterparty standards continue to be published and overseen by FHFA to promote consistent and transparent requirements for market participants and prevent regulatory arbitrage or weakening of credit quality that could negatively impact the housing finance system.

Addressing Housing Supply Challenges

USMI applauds the Administration's efforts to shine a spotlight on the need to increase the supply of affordable single-family homes and bring the nation's supply-demand dynamics into greater equilibrium. The Strategic Plan identifies housing supply as a key area of focus for both the GSEs (Objective 1.6(2)) and the FHLBanks (Objective 2.4(1)), calling on them to "Support efforts to expand housing supply to meet national demand." In connection with this, USMI encourages the GSEs and FHLBanks to continue to calibrate and expand their support of manufactured housing, their renovation programs to facilitate acquisition-rehab lending to owner-occupants, their new construction programs to meet emerging market needs, and guidelines for other property types to ensure results that are prudent from a risk perspective and beneficial for borrowers. Further, USMI encourages the FHLBanks to calibrate their mortgage purchase programs to these evolving opportunities, as well as evaluate how their Community Investment Programs (CIPs) and community advance offerings can be styled, as appropriate, to favor housing supply solutions pursued by member institutions in their respective districts. USMI's member companies welcome the opportunity to assist the GSEs and FHLBanks in addressing the nation's housing supply challenge.

Combatting Mortgage Fraud

The Strategic Plan highlights identifying and combatting mortgage fraud as a focus for the FHFA and GSEs, underscoring that fraud should have no place in the U.S. housing finance system. USMI supports Objective 1.4 to "Identify and combat fraud and misconduct" and the FHFA's actions to best safeguard the GSEs' safety and soundness and protect U.S. taxpayers from exposure to undue mortgage credit risk.

Private MIs play an important role as a "second set of eyes" during mortgage underwriting, serving as an essential check on mortgage credit quality and aligning the interests of borrowers, lenders, and end-investors. With nearly 70 years of experience underwriting, pricing, and managing long-term mortgage credit risk, private MIs have a deep understanding of the GSEs' mortgage programs, Selling and Servicing Guides, and automated underwriting systems (AUSs). Importantly, the industry's percentage of non-delegated underwriting has tripled compared to the historical rate of 10-15% prior to the Great Financial Crisis. Further, programmatic quality control (QC) requirements and reviews support fraud prevention and data accuracy in mortgage underwriting across private MI companies' portfolios. The industry's QC function serves to independently verify borrower-provided information such as employment, occupancy, assets, and property value. All private MIs work closely with both GSEs to flag any systemic trends in order to inform risk functions and evaluate portfolios. Beyond GSE counterparty standards and collaboration, private MIs also have reporting obligations when fraud is observed via internal governance and requirements from state insurance regulators.

FHLBank Operations

The FHLBanks are important components of the U.S. housing finance system and, as outlined in Objective 2.2(1), it is critical that they continue to "serve as a source of stable and reliable liquidity for their member institutions." The majority of active private MI companies are FHLBank members[9] and, while private MIs do not originate, service, securitize, or hold mortgage loans as assets, their commitment and nexus to the U.S. housing finance system is undeniable as they underwrite, insure, and manage single-family mortgage credit risk. USMI encourages FHFA to ensure that FHLBank membership remains available to insurers, including private MI companies, with primary activities that support the U.S. housing market and promote access to affordable mortgage finance for first-time homebuyers and working-class Americans.

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Homeownership remains the primary vehicle for families to achieve financial stability and build intergenerational wealth. The private MI industry applauds FHFA's focus on helping Americans become homeowners while ensuring safety and soundness in the housing finance system. Likewise, we support actions to ensure resources are focused on programs and initiatives that are statutorily required by the GSEs' congressional charters and prudently serve borrowers nationwide. USMI's members are key partners to the GSEs and we look forward to continued collaboration in helping low down payment borrowers affordably and sustainably achieve the American Dream of homeownership.

The private MI industry welcomes the opportunity to engage with you and your team on housing finance policies that enable access to homeownership opportunities for borrowers without large cash down payments and appropriately balance access to affordable mortgage credit with safety and soundness in the U.S. housing finance system. USMI and its member companies appreciate the opportunity to provide feedback on the FHFA's draft *Strategic Plan for Fiscal Years 2026-2030.* Please feel free to reach out to me directly at sappleton@usmi.org or 202-280-1820 if you have any questions or should you need any further information related to USMI's observations and recommendations.

Sincerely,

Seth D. Appleton
President, USMI

[9] Four private MI companies are current FHLBank members: Arch Mortgage Insurance Company (FHLBank of Chicago); Essent Guaranty, In. (FHLBank of Pittsburgh); Mortgage Guaranty Insurance Corporation (FHLBank of Chicago); and Radian Guaranty Inc. (FHLBank of Pittsburgh).