

Ensure FHA's Stability by Providing Further Resources to FHA and Ginnie Mae and Ensure FHA's Ability to Reach Borrowers by Continuing the 2009 FHA Loan Limits

MBA RECOMMENDS

To help the Federal Housing Administration (FHA) and Ginnie Mae manage the increased demand for FHA-insured mortgage products at a critical time for consumers and lenders, Congress should provide to both FHA and Ginnie Mae additional resources for staff and technology, and flexibility to maintain the pace of new business. In addition, to extend FHA's reach to more borrowers, Congress should continue the current FHA loan limits beyond 2009.

BACKGROUND

FHA provides government-backed insurance for low downpayment loans to eligible borrowers — traditionally many FHA borrowers are first-time homebuyers, and many other FHA borrowers are in need of refinancing their mortgage or modifying their loan. Ginnie Mae supports FHA, as well as the home loan programs through the Departments of Veterans Affairs and Agriculture, by providing access to a secondary market for government-backed mortgages. Until about a year-and-a-half ago, FHA's share of the mortgage market business was about three percent of single-family originations. Today it is closer to 30 percent. This rapid rise is attributed to the lack of credit available to mortgage lenders and to FHA's traditional borrower. This dramatic increase in demand has put a strain on the staff and resources at both FHA and Ginnie Mae.

FEDERAL HOUSING ADMINISTRATION

MBA supports adding staff and technology resources to enable FHA and Ginnie Mae to be adequately equipped to serve the housing market. While MBA is grateful for Congress' appropriation of \$4 million to be spent on technology at FHA through fiscal years (FYs) 2009

and 2010, and an increase of 4.9 percent in funding for personnel and benefits at FHA for FY 2009, more should still be done to ensure FHA and Ginnie Mae can adequately serve approved lenders and consumers alike.

FHA faces severe challenges in managing its resources and programs in a quickly changing mortgage market. FHA needs greater flexibility and greater resources to recruit, manage, and compensate employees if it is to keep pace with a changing financial landscape and ensure appropriate staffing up to the task of steering the agency through the increasingly demanding times we are facing now. As the industry is experiencing, market participants that commit unscrupulous activities have become increasingly sophisticated in their tactics. It is unfair to expect FHA to combat fraud and appropriately manage risk without appropriate tools and human resources.

Moreover, MBA believes FHA cannot keep pace with an industry that is becoming more technologically driven as long as it lacks the authority to use its revenues to invest in new technology. Improvements to FHA's systems will allow it to more effectively manage its portfolio, thus raising efficiencies and lowering operational costs, and to monitor its operations and partners more closely to mitigate losses. MBA believes that such an investment would yield savings to FHA operations far in excess of the initial cost.

GINNIE MAE

MBA supports providing resources sufficient to Ginnie Mae to keep up with the demand created by the dramatic growth in FHA loans. MBA is pleased that for FY 2009, Congress appropriated 21 percent more funds to personnel at Ginnie Mae, bringing them close to their request of 90 full time employees. The FY 2009 budget also provided a higher commitment authority, which was very much needed. However, MBA continues to advocate for additional resources to ensure Ginnie Mae can help provide liquidity at a critical time for the housing market.

FHA LOAN LIMITS

MBA believes it is important for FHA to provide support to the broadest spectrum of borrowers possible during this period of market instability and beyond. MBA requests Congress to help make mortgage credit more available and affordable by permanently retaining the current FHA loan limit of up to \$729,750 in high-cost areas.

FHA has traditionally focused on the needs of first-time, minority, and/or low-and moderate-income borrowers and it is important that FHA continue to serve these populations, particularly in areas where home prices are higher and they would have the most difficulty affording a home. This would particularly help FHA reach underserved borrowers in high-cost areas such as California, New York and the Washington, D.C. region.



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