



February 13, 2008

The Honorable Brian Montgomery
Federal Housing Administration
451 7th Street, S.W.
Washington, D.C. 20410

Dear Commissioner Montgomery:

The Mortgage Bankers Association (MBA) applauds the efforts of the Federal Housing Administration (FHA) in moving swiftly to provide delinquent borrowers with the opportunity to refinance through *FHASecure*. While MBA believes *FHASecure* may provide an important option for distressed borrowers, more can and should be done.

Our analysis shows FHA applications have increased 143 percent from December 31, 2006 through December 31, 2007, most notably after the credit crunch in August 2007. FHA refinances now comprise approximately 80 percent of all endorsements. The industry knows that *FHASecure* is part of the solution, especially when capital is scarce and troubled borrowers are in need of help. We note that as of February 6, 2008 over 60,000 loans have been endorsed under the program since its inception.

The program is particularly innovative in that it not only provides a refinance option for borrowers racing payment shock, but that it allows delinquent borrowers to obtain FHA loans. For those borrowers, the program requires a history of on-time mortgage payments before the borrower's teaser rates expired and loans reset, three percent equity in the home, sustained history of employment, and sufficient income to make the monthly payments. Despite the program's simple criteria, we also note that of the over 60,000 *FHASecure* loans, only 906 (1.5 percent) were loans to delinquent borrowers who refinanced under the new program. More can and should be done to address the needs of these borrowers.

Specifically, we'd like FHA to explore options to expand the pool of delinquent borrowers who would be eligible to participate in *FHASecure*. Such an expansion could include: allowing conventional fixed rate mortgages to be eligible; allowing a cause of delinquency other than the interest rate reset; and reducing the required number of on-time mortgage payments. Obviously, any changes should be consistent with prudent risk management practices to protect the insurance fund and help ensure borrower success.

As you well know, the mortgage lending industry is moving with unprecedented speed to increase its capacity for loss mitigation, borrower outreach, and with efforts such as HOPE NOW, its ability to assist distressed homeowners. In that spirit, MBA urges FHA to continue to explore responsible options for making more borrowers eligible for *FHASecure*.

We would welcome the opportunity to discuss this issue further.

Sincerely,

A handwritten signature in black ink, appearing to read "Kieran P. Quinn". The signature is fluid and cursive, with a large initial "K" and "Q".

Kieran P. Quinn, CMB
Chairman