U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

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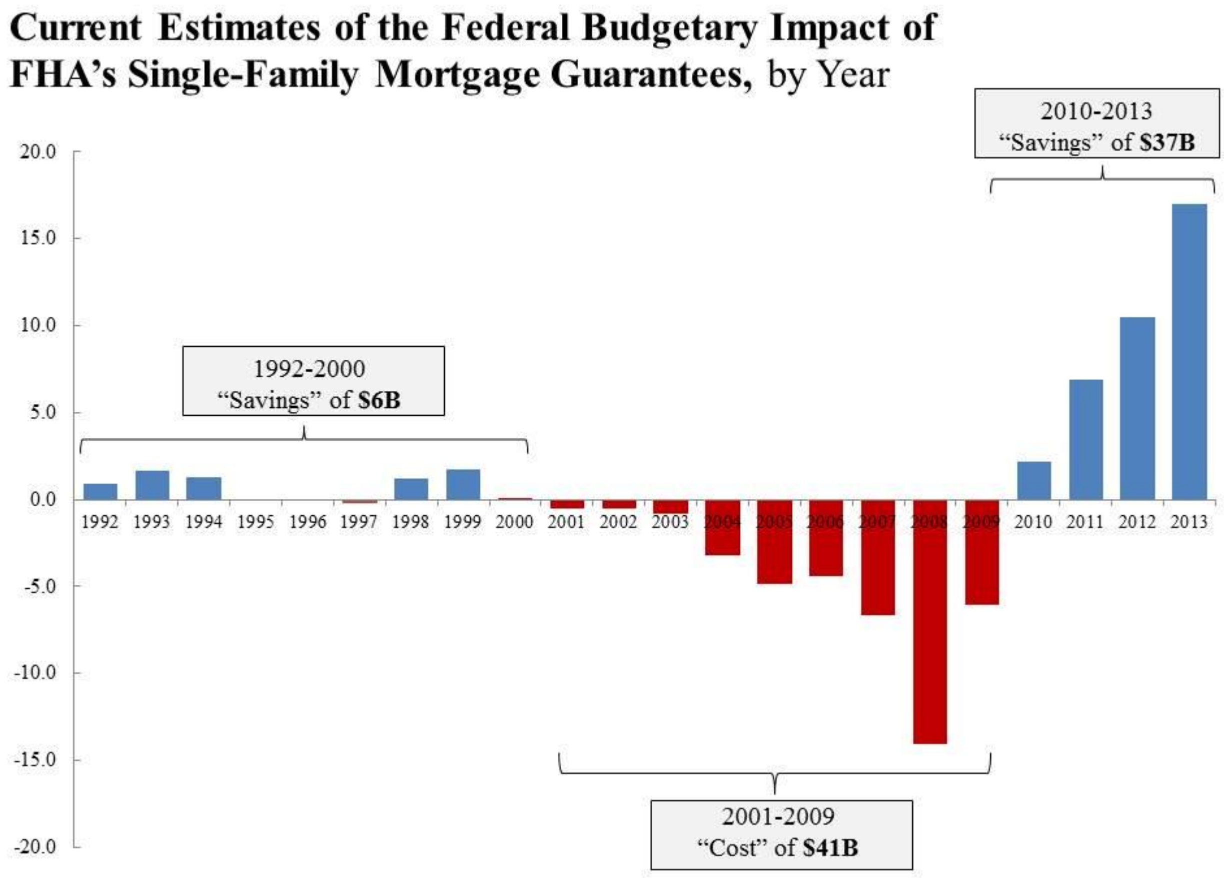
Thank you, Chairman Hensarling and Ranking Member Waters, for this opportunity to testify on the work of the Federal Housing Administration (FHA).

Established in response to the Great Depression, the FHA has served a critical two-part mission in support of the housing market and broader economy by facilitating access to sustainable mortgage financing - particularly for underserved borrowers - and acting as a stabilizing countercyclical force in both the national as well as regional economies during times of crisis or uncertainty. Throughout its history, when the private market would not or could not provide access to mortgage credit to particular persons or under difficult certain economic conditions, FHA made borrowing possible. And for nearly 80 years FHA has made the American Dream a reality for more than 40 million families – including 40 percent of all first-time homebuyers and 50 percent of all African-American and Latino homebuyers.

Since 2009, FHA has helped nearly 7 million families become homeowners or refinance into a more affordable home loan –aiding in the stabilization and ongoing recovery of the housing market. When the recent recession pushed our economy to the brink of collapse, FHA stepped in to provide access to mortgage financing as the private market retreated. To keep mortgage credit flowing – supporting and stabilizing communities and countless industries – FHA's Single Family program more than quadrupled its activity, accounting for over 20 percent of the market at the peak of the financial crisis. Economist Mark Zandi has noted that absent FHA's presence in the market, home prices would have declined an additional 25 percent during the recession. In the face of the worst financial crisis since the Great Depression, FHA made it possible for the housing sector – crucial to our nation's economic engine – to continue functioning.

Playing this role during the Great Recession placed considerable stress on the Mutual Mortgage Insurance Fund (MMIF). The capital reserve ratio of the MMIF has been below the statutory two percent threshold since 2009, with losses from the 2007 to 2009 legacy books and the Home Equity Conversion Mortgage program (HECM) responsible for the most severe strain.



Source: CBO analysis of President's Budget for Fiscal Year 2014

Due in large part to the stress placed on the Fund from the HECM program and the aforementioned legacy loans, on September 27, 2013, I notified Congress that FHA would require a mandatory appropriation in order to ensure that at the end of FY 2013 the MMIF had sufficient funds in its capital reserve account to pay for all expected future losses. This mandatory appropriation of $1.68 billion is not an indication of FHA's cash position or its ability to pay claims on outstanding loans insured by the MMIF. Rather, it is a function of FHA's obligations under Federal Credit Reform to maintain sufficient reserves to pay all expected losses as measured each year at a single point in time, and therefore does not account for the effect of future endorsements. Today, FHA has over $48 billion in its financing account.

The calculation that determines the budget re-estimate is based on assumptions about loan performance and recoveries made prior to February 2013. This calculation does not consider the real time performance of the Fund, which has been making steady improvements since that calculation, as a direct result of the actions this Administration has taken. These actions are described below, were outlined in our Annual Report to Congress on the Financial Status of the Mutual Mortgage Insurance Fund, and have been mentioned in prior testimony before this Committee.

Since 2009, even before the independent actuary reported that the capital reserve ratio had fallen below the mandated 2 percent, FHA took a number of steps to stabilize and strengthen the Fund and protect American taxpayers while continuing to support the housing market. Changes to FHA's lender oversight and credit policies made since 2009 have yielded substantial improvements in the quality of new loans endorsed by FHA, and premium increases have ensured that FHA is priced appropriately for its risk. Throughout FY 2013, FHA has executed on additional opportunities to reduce the impact of poorly performing legacy loans severely impacted by the recession to the Fund, providing greater assistance for distressed borrowers as they seek to recover and find meaningful assistance in dealing with their delinquent loans. With a majority of FHA's projected losses attributable to loans insured from 2007-2009, these additional steps to maximize recoveries through loss mitigation and asset management have improved the long term trajectory of the Fund.

Counterparty Risk Management and Lender Enforcement

One of the first things this Administration did upon taking office was to take strong actions to improve FHA's monitoring and oversight of lenders. This has included substantial improvements to risk analysis systems and procedures, and policy changes to focus resources on the areas of FHA's business which pose the greatest potential risk to the MMIF. These efforts have resulted in lenders being withdrawn from FHA programs, improvements in lender compliance with FHA requirements, and a number of settlements with lenders and servicers for violations of FHA origination or servicing requirements.

Yet, it remains important that we continue to improve and refine the rules of the road for FHA lenders. That is why this year FHA issued a mortgagee letter implementing a Lender Insurance (LI) Lender Indemnification Final Rule. This guidance, which is part of a larger effort to ensure that our lending partners have clarity with respect to FHA programs, establishes better and more consistent monitoring of LI lenders and outlines clearer parameters upon which HUD will require indemnification for loans originated by these institutions.

Additionally, we have been concerned of late with a number of online and print advertisements that proclaim the supposed ease of obtaining an FHA-insured loan following a foreclosure. While FHA has taken a number of proactive steps in the past few years to clarify its requirements regarding lender advertising and to enforce those requirements aggressively, we determined last year that it was necessary to address the issue of post-foreclosure advertising specifically. Therefore, on January 25, 2013 FHA issued a reminder to its industry partners that advertisements that imply that little or no qualification criteria are necessary to obtain an FHA loan are untrue and unacceptable, and that FHA will not hesitate to take action within its authority to enforce requirements related to lender advertising, including sanctions by HUD's Mortgagee Review Board and/or referral to the HUD Inspector General or the Consumer Financial Protection Bureau (CFPB).

Credit Policy
Since 2009, we have also engaged in an ongoing effort to strengthen credit policies for FHA borrowers. First and foremost, FHA fulfilled the implementation of Congress' elimination of seller-funded down payment assistance programs which cost the MMIF more than $15 billion in economic value. Further, we enacted increased down payment requirements for borrowers with credit scores below 580. The long-term positive impact of these two credit policy changes cannot be overstated. The 2005 – 2008 vintages, accounting for less than 15% of total originations over the last 30 years, are projected by the Actuary to contribute more than one-third of total credit losses to the Fund. Of those losses, loans with credit scores below 580 and/or seller-funded down payment assistance will have accounted for 44%. Additionally, we are actively working to finalize, following a re-proposal, regulations to reduce the amount of allowable seller concessions that increase risks to FHA arising from inflated appraisals.

Late last year, FHA announced several additional changes which continue the work of strengthening credit policy while supporting the ongoing economic recovery, maintaining access to mortgage financing for creditworthy borrowers, while also taking steps to reduce FHA's total market share. These steps include requiring manual underwriting for borrowers with credit scores below 620 and debt to income (DTI) ratios over 43 percent, enhancements to FHA's TOTAL Scorecard, and a proposed increase in the required down payment for borrowers seeking loans in excess of $625,500. Taken together with the other measures outlined above, as well as those detailed in Appendix A of FHA's Annual Report to Congress[1], these steps will ensure that home buyers using FHA-insured financing are capable of meeting their mortgage obligations and will not put undue stress on the Fund.

Increased Revenue
In addition to the improvements made to the quality of new endorsements, we have also made the difficult choice to increase mortgage insurance premiums for FHA-insured loans multiple times in the past four years. Since 2009, FHA has increased premiums five times – the most recent increase effective April 1, 2013. Combined, the premium increases made since 2009 have yielded more than $10 billion in additional economic value for the Fund to date. These increases have not been undertaken lightly, and FHA has been careful to balance changes to pricing to improve the outlook of the Fund with its countercyclical role of providing liquidity and access to credit in the midst of the recent crisis and ongoing recovery. Today, particularly with interest rates rising, it is possible that we have reached a "tipping point" with respect to FHA premiums, and as we continue to seek a balance between strengthening the Fund and ensuring access to credit,

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[1] Available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/hsgrroom

we must assess whether FHA premiums are set to appropriately account for risk to the Fund without making the cost of credit prohibitive for qualified homebuyers.

Additionally, effective with case numbers assigned on or after June 3, 2013, FHA ended a policy of cancelling required mortgage insurance premiums (MIPs) on loans for which the outstanding principal balance reached a level of less than 78 percent of the original principal balance. Under that policy, FHA remained responsible for insuring 100 percent of the unpaid principal balance of a loan for the entire life of the loan – a period often extending far beyond the cessation of MIP payments. As written, the timing of MIP cancellation was directly tied to the contract mortgage rate, not to the actual loan LTV. The original policy was put in place at a time when it was assumed that home values would not decline. Today we know that LTV measured by appraised value in a declining market can mean that actual LTVs are far higher than amortized mortgage LTV, resulting in higher losses for FHA on defaulted loans. Analyses conducted by FHA's Office of Risk Management projects lost revenue of approximately $10 billion in the 2010-2012 vintages as a result of the old cancellation policy. The same analyses also suggest that 10%-12% of all claims losses will occur after MIP cancellation. This policy was reversed in a Mortgagee Letter published on January 31, 2013. The new policy of collecting premiums based upon the unpaid principal balance of FHA loans for the entire period during which they are insured permits FHA to retain significant revenue that was previously being forfeited prematurely, better protecting the MMIF.

Loss Mitigation and Asset Management

In FY 2012, the independent actuary projected that nearly $60 billion in claim costs to FHA were from seriously delinquent loans insured between 2007 and 2009 that were expected, according to their model, to go to claim by the end of FY 2014. As a result, FHA has made it a priority to reduce the severity of losses associated with these loans. Because of the demonstrable positive impact for both borrowers and the Fund resulting from those efforts FHA will continue its targeted policy and programmatic efforts in these areas over the next several years.

Beginning in FY 2012, FHA began executing on an overall asset management strategy aimed at ramping up REO alternatives. REO alternatives (primarily short sales) have comprised about 15%-20% of total dispositions since 2010, yielding average loss severities about 20% lower than REO. In June 2012, FHA also unveiled a revamped Distressed Asset Stabilization Program (DASP), an REO alternative that improves Fund performance while giving distressed homeowners another chance to retain their homes after FHA's loss mitigation waterfall has been exhausted. These and other actions have had a measurable effect on the portfolio as loss severities have fallen by 26 percent since their peak. In addition, compared to March of 2012, serious delinquencies were down in March 2013, with non-seasonally adjusted serious delinquencies dropping below 9% for the first time in over a year, showing that FHA and the market have made some progress in clearing the backlog of seriously delinquent loans previously withheld from a final disposition.

FHA expects further gains on this front through a number of initiatives:

Streamlining of the FHA Short-sale Policy

Although FHA is deeply committed to providing loss mitigation alternatives to borrowers which permit them to retain their homes, home retention is simply not an option for some borrowers. For these borrowers, pre-foreclosure sales (short-sales) offer a more favorable option to transition out of their homes. This enables both FHA and borrowers to avoid the costs and adverse impacts of the foreclosure process.

Therefore, effective October 1, 2013, FHA has put in place a streamlined pre-foreclosure sale policy which removes certain barriers for borrowers to obtain a short sale on an FHA-insured mortgage. This change is expected to increase the number of defaulted loans that end in short sales rather than in foreclosures. Because losses from short-sales are substantially lower than from the traditional FHA REO process, the shift of greater numbers of distressed homeowners to short-sale dispositions rather than foreclosures is anticipated to yield better results for the MMIF while allowing distressed borrowers to start anew without having to go through the difficult and costly foreclosure process.

Claim Without Conveyance Pilot Program

In FY2013, FHA expanded a pilot in which properties secured by non-performing FHA-insured loans are offered for sale by the lender who has completed the foreclosure process. At a reserve price slightly below the outstanding unpaid principal balance of the loan, the properties are sold to third party purchasers without ever being conveyed to FHA. This method of disposing of these properties has improved recoveries to the Fund as compared to placing a property through the REO disposition process, largely due to the elimination of carrying costs associated with preserving, managing, and marketing an REO property.

Proactive Strategies to Further Improve Recoveries

In addition to the policy and programmatic changes outlined above, FHA will also take several innovative and proactive steps to increase utilization of loss mitigation options and reduce unnecessary asset disposition losses. First, FHA is positioned to launch a large-scale proactive marketing campaign to promote modification and short-sale strategies for delinquent borrowers. This effort is expected to increase utilization of these programs, which will permit more borrowers to become aware of and take advantage of these opportunities, while reducing foreclosures and decreasing associated losses for FHA. In addition, FHA will also pursue more creative strategies to dispose of REO properties in markets where traditional asset disposition methods yield net negative recoveries for FHA. This approach is anticipated to both save money for FHA on unnecessary losses as well as contribute to community stabilization initiatives in cities hit hard by the recession.

As a result of the changes outlined above, which have yielded higher quality loans and reduced loss severities, and combined with the large volume of current loans, for FY 2013, FHA was projected to generate approximately $18 billion in receipts. This included a pro-rated value of $3 billion based on revenue generated from the new premium increase that went into effect April 1, 2013, and reversal of the MIP cancellation policy. However, as interest rates rose through the end of FY 2013, following the trend in the broader housing market, actual FHA endorsement volume fell below the budget estimates for that book year, resulting in actual receipts of over $17 billion.

The FY 2014 budget projects FHA receipts of almost $13B, even as FHA market share and loan volume continue to be reduced.

FY 2013 MMIF Budget Re-estimate

The Federal Credit Reform Act of 1990 (FCRA) requires that at the end of each Federal fiscal year, and as part of closing annual financial statements, every credit agency must have sufficient reserves to cover one hundred percent of anticipated future losses, as determined by performance and economic conditions. When the President's FY 2014 budget proposal was released earlier this year, it was estimated that while FHA had significant liquid assets, $33.1 billion at the time the budget was released[2] that it would be required to supplement its reserves to cover all expected losses for the next 30 years.

At the time the budget was released, it was clear that the potential for a mandatory appropriation to the MMIF was largely due to the existing reverse mortgage (Home Equity Conversion Mortgage or HECM) portfolio, but that the final outcome would be a function of receipts generated by the FY 2013 book of business.

Impact of legacy HECM loans on the MMIF Re-estimate

The HECM product, particularly as it had been structured prior to summer 2013, is sensitive to borrower longevity, home prices, and economic conditions. Lower than anticipated home price appreciation substantially affected the expected performance of the portfolio. Further, changes to the ways in which borrowers utilize the HECM product shifted the risk profile of the program.

Originally designed to be used like an annuity, in recent years market circumstances and lender preferences have shifted greater numbers of borrowers to take full draws via the Fixed Rate Standard product. Thus, many borrowers are taking all of the funds available to them up-front and often do not have the resources necessary in later years to pay property taxes and insurance,

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[2] See Quarterly Report to Congress on FHA Single Family Mutual Mortgage Insurance Fund Programs, Quarter 3, 2013. Posted August 23, 2013. *Available at:* http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/rtc/fhartcqtrly

thereby triggering a default on the loan. Due to these changes in usage and performance, the budget estimates that the use of the HECM program results in a negative value of $5.249 billion and a disproportionately negative impact to the Fund.

FY 2013 Budget Reestimate: President's Budget Estimates vs. Actual

FY 2013 MMIF Budget Reestimate				FY 2013 Actual		
$ in millions	Forward Mortgages	HECM	**TOTAL**	Forward Mortgages	HECM	**TOTAL**
SOY Capital Reserve	$3,309	0	**$3,309**	$3,309	-	$3,309
- 2013 Negative Subsidy Receipts	$17,908	$268	**$18,176**	$17,079	$ 366	$ 17,445
- Interest on Investments	$14	$0	**$14**	$9	-	$9
- Liquidating Acct. Transfers	($10)	$0	**-10**	$ (16)	-	$ (16)
- Net Upward Re-estimate	($16,915)	($5,517)	**($22,432)**	($16,915)	($5,517)	**($22,432)**
Surplus (Deficit) in the Reserve to Finance Reestimates	$4,306	($5,249)	**($943)**	$3,466	($5,151)	**($1,685)**

In response to this, above and beyond the steps FHA announced with the release of the FY 2012 Report to Congress on the Health of the Mutual Mortgage Insurance Fund [3], FHA applied its limited authorities to take additional and immediate actions to better align the HECM program with its objective of enabling seniors to age-in-place while better protecting FHA from losses and reducing the likelihood of borrower defaults. While these changes significantly impacted consumer use of the program, the long-term health of the program and the Fund warranted aggressive steps to better protect FHA from losses and reduce the likelihood of borrower defaults. Ultimately, these actions are designed to ensure that new endorsements[4] of loans under this program better align the HECM program with its objective of enabling seniors to age-in-place.

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[3] *Available at:* http://portal.hud.gov/hudportal/HUD?src=/fhammifrpt

[4] For the duration of the government shutdown which ended on October 16th, FHA was unable to process new HECM endorsements

In administrative guidance dated January 30, 2013, FHA consolidated the Fixed Rate Standard program with the Fixed Rate HECM Saver product, resulting in a reduction of the maximum amount of funds available to a HECM borrower. And, with the support of Congress – in particular Mr. Heck and Mr. Fitzpatrick of this Committee, HUD was given authority to make additional critical changes to the program through mortgagee letter. Effective this fiscal year, these changes included:

- Changes to initial mortgage insurance premiums and principal limit factors;
- Restrictions on the amount of funds senior borrowers may draw down at closing and during the first twelve months following closing;
- Soliciting public comment on a requirement that all HECM borrowers undergo a financial assessment to ensure that they have the capacity and willingness to meet their financial obligations and the terms of the reverse mortgage; and
- Requiring borrowers to set aside a portion of the loan proceeds at closing (or withhold a portion of monthly loan disbursements) for the payment of property taxes and insurance based on the results of the Financial Assessment – for which FHA also solicited comment.

Additionally, in an effort to reduce losses associated with the conveyance and disposition of properties mortgaged with a HECM, FHA will issue new incentives for the estate executors of HECM borrowers to dispose of properties themselves rather than conveying them to HUD. Currently, executors are permitted to either sell such properties or convey them to HUD. Reversing the historical trend, over the past few years larger numbers of executors have been choosing to convey these properties to FHA rather than sell them, adding costs and reducing recoveries for FHA. By incentivizing the sale of properties by executors, FHA will be able to avoid property management, maintenance, and marketing costs associated with the REO disposition process, thereby reducing losses to the Fund on these properties.

However, despite these immediate actions and the assistance of Congress in facilitating a longer-term solution with regard to the HECM program, authority for the structural changes to that program were not finalized in time to impact the FY 2013 book of business. As with the FY 2007-2009 legacy forward loans, legacy HECM loans will continue to impact the estimated economic value of the Fund for some time to come.

Ultimately, the determination each year of whether a mandatory appropriation for the MMIF is necessary is a function of actual versus expected budget receipts at the end of fiscal year. These receipts are in turn based on volume projections in the President's budget which, as stated above, fell below budget estimates.

Outcome of FY 2013 Budget Re-estimate

Bringing the housing market from the brink of collapse to a place where it is growing again has been the primary task of FHA throughout this economic crisis. This task did not come without its stresses and pressures. Due largely to legacy loans in both the forward and HECM portfolios, the short term health of the Fund and the ability of FHA to meet the requirement of the 2 percent capital reserve ratio have been impacted.

As noted previously, to comply with FCRA, on September 30, 2013, FHA was required to take a mandatory appropriation of $1.68 billion in order to have sufficient funds on hand for the payment of expected losses on its portfolio of guaranteed loans through September 2012. The need to take this mandatory appropriation – a function of the annual budget re-estimate performed during the formulation of the President's FY 2013 Budget – does not incorporate improvements or other changes in performance of the Fund, or improvements in the broader economy, since the calculation was completed in December 2012. As a result of this $1.68 billion transfer of funds, on October 1, 2013, the Fund had a capital account balance of over $48 billion.

The amount of the mandatory appropriation is higher than the estimate provided in the President's budget because of the decline in FHA endorsement volume over the last few months of the fiscal year – consistent with the trend in the broader housing market in response to higher interest rates. It is also consistent with FHA's goal of reducing its footprint in the market.

As stated earlier, this required mandatory appropriation does not reflect an up-to-date view of the MMIF's performance, its long-term fiscal health, or its current cash position. The required mandatory appropriation does not mean that FHA is in need of cash to pay claims. For more than 80 years, FHA has been a vital resource for first time, minority and low wealth borrowers while earning revenues that are returned to the Treasury and American taxpayers. FHA currently has more than $48 billion in liquid assets—cash and investments—on hand and generated an additional $17 billion in FY2013. These are more than sufficient resources to allow FHA to fund its claims activity. In fact, if our asset disposition recovery rates continue to improve as they have over the past year due to our efforts, recoveries over the next three years will be $5 billion higher than expected – exceeding the amount of the draw.

New estimates for FY14 will include these improvements and other changes in performance, as well as adjusted expectations for the future. We expect updated data and economic forecasts to reflect that the health of the fund has improved significantly since these calculations were completed nearly a year ago. However, as with all financial institutions, the ultimate health of a portfolio is partially a function the broader economic environment. The October 2013 government shutdown is estimated to have costs the economy $24 billion and resulted in 120,000 fewer jobs through October 12, 2013. These estimates have implications for the economy at large. Therefore, while FHA will continue to focus on protecting and improving the performance of the Fund – playing its critical role of ensuring access to credit for qualified borrowers in underserved markets – the outcome of future assessments of the Fund will be impacted by the underlying long-term economic assumptions.

Tools for a Stronger, More Secure FHA

Over the past several years, Congress has moved in important ways to strengthen and protect FHA, and for that we are very grateful. Indeed, were it not for the flexibility granted by Congress to FHA in 2010 in setting premium pricing, the current economic value of the MMIF would be more than $10 billion lower than it is today. However, it is clear that there is still much that to do that only a partnership between FHA and Congress can achieve. Since 2010, as FHA has worked to bolster the long term health of the MMIF, the agency has requested several tools from Congress to better manage the Fund – and many of these requests, necessary to better protect the Fund, remain outstanding.

The proposals outlined below will enhance FHA's ability to hold lenders accountable for non-compliance with FHA policy and provide greater flexibility for FHA to make changes to policies and procedures as emerging needs and trends are identified. As a result, FHA will better be able to avoid unnecessary losses before they occur.

1. **Indemnification Authority for Direct Endorsement Lenders:** This provision, which FHA has been seeking since 2010, would allow FHA to seek indemnification from Direct Endorsement lenders, which represent 70% of all FHA approved lenders. Currently FHA only has authority to require indemnification for lenders with Lender Insurance (LI) approval. If granted this authority, FHA will be able to obtain indemnification from all of its approved lenders for loans that do not comply with its guidelines.

2. **Authority to Terminate Origination and Underwriting Approval:** This legislation would give FHA enhanced ability to review lender performance, and if a lender is found to have an excessive rate of early defaults or claims, would provide greater flexibility in terminating the approval of the lender to originate or underwrite single family mortgages for FHA insurance. FHA has been seeking this authority since 2010.

3. **Revised Compare Ratio Requirement:** This provision would revise the statute governing the Credit Watch Termination Initiative to provide greater flexibility in establishing the metric by which FHA compares lender performance so that it more effectively captures the true performance of a lender during all market conditions, minimizing further poor performance by FHA lenders while reducing uncertainty for them. Specifically, this legislation would allow the Secretary to compare the rate of early defaults and claims for insured single family mortgage loans originated or underwritten by a lender with those same rates for other lenders on any basis the Secretary determines appropriate, such as geographic area, varying underwriting standards, or populations served. Further, the provision would permit the Secretary to implement such comparisons via regulations, notice, or Mortgagee Letter. This will allow FHA to tailor the compare ratio such that it provides meaningful comparisons of lenders in varying market conditions, providing greater clarity for lenders and a more refined understanding of their performance for FHA.

4. **Authority to Direct Servicing:** In order to facilitate more effective loss mitigation, this change would give FHA the authority to require poorly performing servicers to engage a specialized subservicer with better performance results. Such authority would permit FHA to better avoid losses arising from poor servicing of FHA-insured loans, yielding better results for both borrowers and FHA.

5. **Reducing Barriers to Timely Risk Management:** Despite many policy and organizational changes made by FHA since 2009, the ability to manage risk appropriately

is still limited and continues to impact the FHA's long term fiscal health. These constraints include an increasingly complex mortgage market, aging FHA systems and infrastructure, a need for additional skills and expertise, and difficulty responding quickly to major risk issues as a result of contractual and statutory limitations. For FHA to manage risk and maintain operations as 21st century mortgage insurer, these constraints must be dealt with appropriately. For that reason, we would like to continue to explore tools which can be leveraged to allow FHA to minimize risk to the Fund and taxpayers while continuing to serve consumers with Congress and this Committee.

Conclusion

There are real signs of recovery in the nation's housing market. Given the progress we've seen—and FHA's central role in that progress—it's clear that FHA has done precisely what it was designed to do. It has allowed millions of American families to benefit from homeownership and affordable rental options. It has provided vital liquidity in the nation's mortgage finance markets. And it has acted as a vital stabilizing force when an economic crisis precipitated by the housing market could have led to a second Great Depression. While we recognize that the need for a mandatory appropriation is not welcome news to anyone, the fact is that it does not reflect the real time improvements to the portfolio due to the actions taken by this administration. FHA has been, and continues to be, a reliable steward of taxpayer dollars and a key source of access to homeownership, both for today's families as well as future generations. And, simply put, the account transfer completed on September 30, 2013, while not necessary for cash flow or claims, is a function of FHA's 79 year statutory mandate to stabilize the economy and preserve access to mortgage credit for creditworthy, underserved borrowers. And, because of the strength of the FHA and its staff through this crisis, the refinements to the FHA model made since 2009 will allow FHA to emerge from this the worst recession since the great depression as a stronger and more resilient organization, continuing to serve the housing market and stabilize the nation's economy.