

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: February 23, 2015

Subject: February 26, 2015, Housing and Insurance Subcommittee Hearing on “The Future of Housing in America: Oversight of the Federal Housing Administration – Part II”

The Housing and Insurance Subcommittee will hold a hearing titled “The Future of Housing in America: Oversight of the Federal Housing Administration – Part II” on Thursday, February 26, 2015, at 10:00 a.m. in Room 2220, Rayburn House Office Building.

This will be a one-panel hearing with the following witnesses:

- Douglas Holtz-Eakin, President, American Action Forum
- Rohit Gupta, President and Chief Executive Officer, US Mortgage Insurance, Genworth/Co-chair, U.S. Mortgage Insurers
- Julia Gordon, Director of Housing Finance and Policy, Center for American Progress
- Clifford Rossi, Professor-of-the-Practice and Executive-in-Residence, Robert H. Smith School of Business, University of Maryland and Chief Economist of Radian Group Inc.

The Federal Housing Administration (FHA) is an agency within the Department of Housing and Urban Development (HUD) that insures private mortgage lenders against the risk that borrowers might default on single-family or multi-family mortgages. When an FHA-insured mortgage goes to foreclosure, the lender files a claim with FHA for the balance owed on the mortgage. Claims on FHA-insured home mortgages are paid from the FHA’s Mutual Mortgage Insurance Fund (MMIF), which is funded from premiums paid by borrowers. To qualify for FHA insurance, a mortgage must be originated by an FHA-approved lender, and the

mortgage and the borrower must meet certain criteria. For example, to be eligible for coverage under the FHA's single-family mortgage insurance program, the mortgage must be for a principal balance of \$625,500 or less, and the borrower must put down a 3.5 percent down payment and intend to live in the house as a primary residence.

This is the second of a series of hearings to examine the financial status of the FHA and in particular, the health of the MMIF. HUD Secretary Julian Castro testified on February 11, 2015.¹ Federal law mandates that the MMIF maintain a capital reserve ratio of no less than 2 percent. On November 17, 2014, the FHA reported to Congress the findings from its most recent independent actuarial review, which indicated a capital reserve ratio of 0.41 percent.²

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¹ Julian Castro Written Testimony before the House Financial Services Committee, February 11, 2015, available at <http://financialservices.house.gov/uploadedfiles/hhrg-114-ba00-wstate-jcastro-20150211.pdf>

² Annual Report to Congress Regarding the Financial Stability of the FHA Mutual Mortgage Insurance Fund, Fiscal Year 2014, November 17, 2014, available at http://portal.hud.gov/hudportal/documents/huddoc?id=FY2014FHAAnnRep11_17_14.pdf