

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: February 6, 2015

Subject: February 11, 2015, Hearing Titled “The Future of Housing in America: Oversight of the Federal Housing Administration”

The Committee will hold a hearing titled “The Future of Housing in America: Oversight of the Federal Housing Administration” on Wednesday, February 11, 2015, at 10:00 a.m. in room HVC-210 of the House Visitors’ Center. The witness will be the Honorable Julian Castro, Secretary, U.S. Department of Housing and Urban Development (HUD).

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.

The purpose of this hearing is to examine the financial status of the FHA and in particular, the health of the MMIF. 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.¹

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¹ 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