

Resolution No. 9

Date: 6/8/2013

City: Washington, DC

NAHB Resolution

Title: Support of Federal Housing Administration
Sponsor: Housing Finance Committee
Submitted by: Steve Lawson

WHEREAS, the Federal Housing Administration's (FHA) single family and multifamily insurance programs are vital to the housing finance system in serving borrowers and housing needs not addressed by the private sector;

WHEREAS, in its nearly 80-year history of operating the Mutual Mortgage Insurance Fund (MMIF), the agency has successfully achieved its mission at no cost to taxpayers, having insured single family loans for over 37 million American families, many of whom would not otherwise have been able to own a home;

WHEREAS, FHA pioneered the concept of a low down payment, 30-year fixed-rate single family mortgage, and the nation still benefits from that program today;

WHEREAS, FHA historically also has played an important role in the financing of multifamily rental housing by providing mortgage insurance under the General Insurance/Special Risk Insurance (GI/SRI) fund for over 1.3 million apartment units just in the last ten years;

WHEREAS, FHA maintains strong underwriting criteria to protect the tax payers and is funded through borrower-paid mortgage insurance premiums;

WHEREAS, since the downturn in the housing market, FHA demonstrated how invaluable its counter cyclical role has been by providing liquidity for both single-family mortgages and multifamily rental housing;

WHEREAS, although the FHA single family mortgage insurance program under the MMIF is not currently meeting its statutory capital reserve requirement due to the effects of the worst economic downturn since the Great Depression, FHA remains an integral part of our nation's economic recovery;

WHEREAS, since 2010, FHA has implemented a series of policy changes to single family programs, including higher mortgage insurance premiums, tighter underwriting requirements, stricter mortgage lender enforcement, and improved risk

assessment all intended to strengthen the performance of the MMIF and rebuild the capital reserve ratio;

WHEREAS, FHA has also taken steps to improve the risk management practices of the multifamily programs, including tightening underwriting, creation of a national loan review committee, new policies on large loans, implementing stronger and more standardized processes and procedures throughout the field offices, and more closely scrutinizing market strength and FHA presence;

WHEREAS, despite recent changes, FHA continues to be less effective and efficient as statutory and regulatory restrictions, as well as the constraints of the Department of Housing and Urban Development (HUD) bureaucracy, have caused FHA to lag behind the pace and standards set in the conventional housing finance market; and

WHEREAS, NAHB recognizes that additional changes to FHA programs and the organization may be necessary as the housing finance system continues to evolve;

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders (NAHB) reaffirm support for the Federal Housing Administration (FHA), its mission to support liquidity, innovation and continuity in the housing finance markets by providing mortgage insurance backed by the full faith and credit of the U.S. government and its counter cyclical role to promote stability in the housing market;

BE IT FURTHER RESOLVED that NAHB support prudent FHA underwriting criteria that considers the availability of FHA-insured mortgages and protections for tax payers;

BE IT FURTHER RESOLVED that NAHB support the continued funding of FHA through borrower-paid mortgage insurance premiums and the fiscally responsible operation of FHA in a manner that does not require a federal subsidy;

BE IT FURTHER RESOLVED that NAHB support the modernization of FHA to allow the agency to operate more efficiently and effectively and urges Congress to:

- 1) Restructure FHA as an independent government corporation within the U.S. Department of Housing and Urban Development (HUD), separate from the Government National Mortgage Association (Ginnie Mae), that would continue its current mission;
- 2) Maintain oversight over FHA, but provide authorities enabling FHA to have the flexibility to react promptly to changes in market and other conditions;
- 3) Direct that FHA be led by a chief executive officer, appointed by the President, who would report to a presidentially appointed board, chaired by the HUD Secretary;

- 4) Authorize FHA to establish policies with respect to matters involving hiring, compensation, personnel management, and procurement that are free from federal government constraints in order to be operated in a manner more consistent with the best practices found in the private sector; and,
- 5) Allow FHA to retain revenues generated in excess of expenses to be used for mission purposes; and

BE IT FURTHER RESOLVED that NAHB urge Congress, that in evaluating proposals for further change in FHA programs, the standard protocol for accurately determining the ultimate outcome of any proposed change on FHA's mission, effectiveness and financial condition should be to:

- 1) Analyze any modifications within the context of other changes that have occurred or may occur both within FHA and in the broader housing finance system, and
- 2) Assess such modifications in terms of the cumulative impact of all components of housing finance system restructuring, including the interplay among housing finance sectors.

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Multifamily Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval
Single Family Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval
Multifamily Council Board of Trustees Action:	Recommends Approval

If approved this resolution will supersede current policies 1996.5 No. 6 Preservation of Existing HUD Multifamily Mortgage Insurance Programs and 1995.9 No. 8 FHA Single Family Mortgage Insurance Coverage.

This resolution also updates and replaces policy that will sunset: 2005.4 No. 1 Reduced FHA Downpayment; 2001.6 No. 2 Premiums for FHA Multifamily Mortgage Insurance; and 1993.9 No. 20 Streamlined Processing for FHA Multifamily Insurance Program