

What Others Are Saying about MI and FHA

“I think there's a general consensus that FHA has a place in housing finance...Also, that there's plenty of room in the private market to be able to come in. They're ready, capable, and they've proved that they can be a viable alternative and part of the marketplace.”

Chairman Blaine Luetkemeyer, R-Mo.
House Financial Services Housing and Insurance Subcommittee

“[T]he recent [FHA] premium reduction appears quite unwise. Number one, it cuts into the revenue stream for an insurance fund that is short of capital. Number two, it shifts the capital away from the private sector. Inevitably, this is going to cut into the private mortgage insurance market...There has been in the aftermath of the financial crisis a bipartisan agreement that it would be wise to bring private capital into backing mortgages and have less reliance on the taxpayers as a backstop. This goes against that...[P]rivate mortgage insurance actually wound up paying claims of...\$51 billion...\$44 billion to the GSEs. So from that standpoint, they actually didn't retreat fully from the market; and, in fact, were there to pay claims during one of the worst periods that we've actually ever faced.”

Doug Holtz-Eakin, President
American Action Forum

“[W]hen it comes to competition with the private sector, I think it's very important that we look across both FHA and the GSEs. The GSEs right now are engaged in some very steep risk-based pricing that is new to them. They just started this after the crisis. If they were to readjust that pricing back to pre-crisis levels, I think private mortgage insurers would be in a much better competitive position...I think the PMI companies are a very important part of the system. I'm glad to see them coming back to strength.”

Julia Gordon, Director Of Housing Finance And Policy
The Center For American Progress

“So you might ask why private mortgage insurers don't simply reduce their premiums to match FHA. But this question ignores a fundamental difference between the two. FHA does not have to cover its cost of capital, because it has none. FHA needs to get back t[o] its historical focus of providing access to mortgage credit for low- and moderate-income borrowers. Under normal conditions, FHA should stick to its historical share of about 10 to 15 percent of the...low down payment market...Private mortgage insurance provides first-loss coverage between 25 and 35 percent, protecting the GSEs, and thus the taxpayers. But FHA still holds 100 percent of the credit risk...FHA should immediately begin testing a wide variety of credit risk transfer structures with MI companies and other qualified counter parties.

Clifford Rossi, University Of Maryland and
Chief Economist, The Radian Group Inc.

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