USMI Statement on Luetkemeyer - McHenry Letter to FHFA Director Watt

Statement by Lindsey Johnson, President and Executive Director of USMI

“Today, Representatives Blaine Luetkemeyer and Patrick McHenry sent a letter to Federal Housing Finance Agency Director Watt ‘regarding the transactions that Fannie Mae and Freddie Mac (the Enterprises) enter in order to share mortgage credit risk with private market participants.’ According to the letter, ‘[w]hile we strongly support these transactions as a mechanism for mitigating credit risk to the Enterprises and U.S. taxpayers, we are concerned that the focus for these transactions has been too heavily concentrated on back-end credit risk sharing. Accordingly, in order to expand the scope of risk sharing and to avoid favoring one approach to risk sharing over another, we believe that the Federal Housing Finance Agency (FHFA) should require the Enterprises to also explore and engage in diverse forms of front-end credit risk sharing.’

USMI members applaud Representatives Luetkemeyer and McHenry, Chair of the House Financial Services Committee’s Housing and Insurance Subcommittee and House Financial Services Committee Vice Chairman, respectively, for their leadership and advocacy on this important issue.

In advance of the upcoming release of FHFA’s 2016 Scorecard, taxpayers still face significant exposure to losses from another housing downturn. Front-end risk share transactions transfer the risk of loans before they ever reach the GSE’s balance sheets. As outlined in the letter, the benefits of front end risk sharing are clear. USMI agrees that there should be a greater balance between front and back end credit risk transfers. Of the several ways that the GSEs can conduct front-end risk share transactions, using MI on the front end is one of the easiest, most readily available forms that would be accessible to a vast majority of lenders today.

Momentum is growing to expand front end risk sharing with MI, and USMI members are ready to do more to de-risk the housing finance system while enhancing homeowners’ ability to borrow in an affordable way.”

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About USMI
U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system backed by private capital that enables access to housing finance for borrowers while protecting taxpayers. Mortgage insurance (MI) offers an effective way to make mortgage credit available to more people. USMI is ready to help build the future of homeownership. Learn more at www.usmi.org.