Federal Housing Finance Programs Need Funding for Technology and Risk Management Improvements

The importance of the federal housing finance programs for low- to moderate-income families has grown in the years since the recession. To keep pace with changing program needs, more funding is needed to ensure that the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Department of Agriculture's (USDA's) Rural Housing Service and Ginnie Mae have the necessary technology, systems and human capital to manage these programs in a financially sound manner.

OVERVIEW

- FHA, VA, USDA and Ginnie Mae are all critical to supporting homeownership for many first-time homebuyers, low- to moderate-income families, and minorities—especially in the wake of the financial crisis, as credit standards tightened dramatically. Today, these programs continue to responsibly meet the needs of these underserved market segments.
- According to Home Mortgage Disclosure Act (HMDA) data, 65 percent of African American homebuyers obtained a government-backed loan in 2017.
- According to the Department of Housing and Urban Development (HUD), 83 percent of Fiscal Year 2018 FHA purchase endorsements were to first-time homebuyers, with the 34 percent of Fiscal Year 2018 FHA endorsements made to minority borrowers.
- Demand for VA loans decreased to 610,000 home loans guaranteed in 2018 compared to more than 740,000 guaranteed loans in 2017
- In 2018, USDA provided over 115,864 loan guarantee obligations, which accounted for nearly $17 billion in loan volume compared to over 134,000 in loan guarantee obligations and more than $19 billion in loan volume in 2017.
- Ginnie Mae, the entity responsible for guaranteeing the bonds backed by FHA, VA and Rural Housing Service loans, has also been impacted by the growing demand for such

loans. In Fiscal Year 2018, Ginnie Mae guaranteed $435 billion in new mortgage-backed securities (MBS), compared to $85 billion of MBS in 2007. The agency now manages outstanding MBS totaling nearly $2 trillion.

IMPACT

- The technology, systems and staff at these federal agencies are often stretched too thin to effectively and efficiently operate their expanded programs.
- Problems or delays in the day-to-day operations of these programs would likely raise costs for consumers and lenders.
- Failure of any critical systems could disrupt funding of mortgages for an extended period of time, hurting the housing market and economic growth.
- Managing these federal guarantees with outdated systems and insufficient staff also degrades service levels and puts taxpayers at potential risk in the event of operational failures.

MBA'S POSITION / NEXT STEPS

- MBA strongly supports providing FHA, VA, USDA and Ginnie Mae with the resources for the staffing and systems upgrades they need to operate effectively.
- Both consumers and lenders will be better served if these programs function efficiently without unnecessary frictions, delays or operational failures.
- In 2018, Ginnie Mae MBS—into which nearly all FHA, VA, and Rural Housing Service loans are sold—provided liquidity for 1.9 million single-family home mortgage transactions. By this metric, these programs are perhaps the most successful federal programs serving low- to moderate-income and minority families by helping them buy homes, build wealth and strengthen neighborhoods and communities.
- MBA successfully lobbied for $20 million designated to upgrade FHA's specific IT needs during the Fiscal Year 2019 appropriations debate.
- MBA continues to believe all of these flagship housing programs warrant additional appropriations to support the technology upgrades and proper staffing levels needed to adequately manage risks and improve efficiency. It is critical that these programs are allocated sufficient resources through the appropriations process, to ensure they are managed effectively and efficiently with minimal risk to the taxpayer.