MORTGAGE BANKERS ASSOCIATION

January 30, 2015

Biniam Gebre
Acting Assistant Secretary and
Federal Housing Commissioner
Office of Housing
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20140

Benjamin Metcalf
Deputy Assistant Secretary
Office of Multifamily Housing Programs
U. S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Roger Miller
Deputy Assistant Secretary
Office of Healthcare Programs
U. S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Messrs. Gebre, Metcalf and Miller:

Subject: Request to Review FHA Mortgage Insurance Premiums for Multifamily and Residential Healthcare Programs

The Mortgage Bankers Association (MBA) appreciates the strong partnership with HUD and its administration of FHA's multifamily and residential healthcare mortgage insurance programs. We are writing with regard to FHA's mortgage insurance premiums (MIPs) that apply to these programs that are critical in providing much needed rental housing.

We believe that it is time for HUD to review MIPs for the multifamily and residential healthcare programs. HUD increased MIPs for multifamily and healthcare programs in 2012. Although HUD commented that the risk model being used was working appropriately, the increase was imposed to mitigate potential unforeseen risks and ensure that HUD pricing did not discourage the recovery of private capital sources.[1]

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[1] 77 Fed. Reg. 49008 (Aug. 15, 2012).

In our view, this is the opportune time to revisit the MIP increases published in 2012. The multifamily finance market has grown substantially and HUD's market share has declined considerably. MAP production in firm commitments was down from approximately $17 billion in FY 2013 to approximately $10.7 billion in FY 2014 while LEAN commitments decreased from $6.4 billion in FY 2013 to $4.5 billion for residential healthcare per FHA data. Private and other capital sources (besides FHA) have returned significantly to the market. In fact, MBA reports a record year of multifamily production in 2014 with an estimated 2014 multifamily lending market size of $190 billion, making HUD's market share approximately eight percent.

Meanwhile, the FHA multifamily and healthcare portfolio has continued to perform well with a sustained low delinquency rate significantly under one percent in FY 2014 for the approximately 11,500 FHA loans in Ginnie Mae mortgage backed securities (based on Ginnie Mae data).

Finally, HUD has taken a number of key steps to strengthen risk mitigation. HUD has continued to strongly support training programs for HUD staff and for its lender partners. HUD has strengthened its underwriting processes and advanced its portfolio assessment methods. HUD's transformation initiative — which MBA has strongly supported — also strengthens risk management while enhancing operational efficiencies. The transition to the single underwriter and account executive models as a staffing approach will improve information about multifamily loans and allow earlier intervention by HUD staff when needed.

At the time of the increase in MIPs, there were many unknowns and the government's role in multifamily housing was expanding considerably. With the financial crisis behind us, significant private capital investment in the multifamily markets and continued strength in the HUD portfolio, the time is right to return MIP to pre-crisis levels.

We urge HUD action on MIPs in this regard. We would also welcome the opportunity to meet with you to discuss these points further. Please contact Eileen Grey at 202-557-2747 or egrey@mba.org with any questions or to schedule a meeting.

Sincerely,

Stephen Ervin
Chairman, MBA FHA Committee
Senior Vice President, Berkadia